DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES

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PART 2

TESTIMONY OF MEMBERS OF CONGRESS
INTERESTED INDIVIDUALS AND ORGANIZATIONS

Printed for the use of the Committee on Appropriations

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DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1987

TESTIMONY OF MEMBERS OF CONGRESS, INTERESTED INDIVIDUALS, AND ORGANIZATIONS

MONDAY, MARCH 3, 1986.

BICENTENNIAL OF THE CONSTITUTION

WITNESS

CHARLES N. QUIGLEY, EXECUTIVE DIRECTOR, CENTER FOR CIVIC EDUCATION/LAW IN A FREE SOCIETY

Mr. SMITH. We begin our hearings this morning with outside witnesses. I want to repeat at the beginning that we have one scheduled every ten minutes, which means that we will have to limit oral statements to five minutes and have five minutes for questions.

We will have to observe that. Otherwise, we are cutting out somebody else's time.

The first witness is Charles Quigley, Executive Director, Law in a Free Society.

In all cases we will insert whatever prepared remarks you have in the record.

Mr. QUIGLEY. Thank you very much.

I am honored to be here, Mr. Chairman, on behalf of the Center for Civic Education/Law in a Free Society.

My message today will be a summary of the prepared written statement.

I think it is particularly appropriate that this is the day before. Tomorrow is the 197th anniversary of the first Congress being convened in New York. I am here to talk about the bicentennial of the Constitution. In particular, I am here to urge you to consider seriously an appropriation of $5 million a year to the commission on the bicentennial of the Constitution to support the implementation of an annual national bicentennial Constitution and Bill of Rights competition and other programs at the elementary and secondary level as authorized in Title 5 of Public Law 99-194.

The intent of Congress, as I understand it, was for these funds to be used entirely for programmatic purposes by the commission, and my discussion with the commission's staff lead me to believe that, in fact, they would be used in that manner.

Why is it needed? There is abundant evidence, and we have given some of the research in our prepared statement of the shortcomings of the programs in the schools on the Constitution and the Bill of Rights.

A typical study that has been one for years, and unfortunately still reveals much of the same results, is to take the Bill of Rights, write it in contemporary language, and take it out in opinion surveys among the average students and citizens. And one finds there are serious shortcomings and lack of support for fundamental elements of the Bill of Rights among the general populace which, I believe, is due to lack of understanding of those principles.

The field of law-related education—I know you have been quite familiar with and supportive of—I think has shown that effective educational programs can have an impact on that lack of understanding.

Recently, the one area the research has shown improvement in commitment is in the area of due process of law which has received particular attention in the field of law-related education.

However, other fundamental principles of our constitutional democracy have not been as well treated: republicanism with a small "r", checks and balances and so forth. There is a significant need for improvement of educational programs in this area and a need to develop that level of understanding that leads to commitment to those fundamental principles and values that are essential to the preservation and improvement of our constitutional democracy; a need, in short, to help students foster among students civic competence and civic responsibility.

We have designed a national bicentennial competition. The field testing is being supported presently by the Department of Education.

It provides us a unique opportunity to focus national attention on the need to improve education in this area. A little bit about this competition. We are developing at a high school, junior high school and junior level, six-week primers about what every American citizen should know about the constitutional Bill of Rights and the responsibility of citizens in our constitutional system.

When a class—hypothetically an 11th grade class—finishes this six-week primer, they take a two-part test. That class is competing, say 30 members as a team, with other classes.

The first part of the test is a multiple choice test. What is different is this is the egalitarian part of the contest, that every student is responsible for helping every other student do as well as they can on that test, because what is important is the class average, not individual scores.

As you know, most contests only involve the brightest kids in the class, so this is the way for every student in the class at every round of the competition to participate.

The more elitest part is for the class to then select five of their best members to help them to prepare a debate, say an antifederalist position or other positions, on basic constitutional issues.

The competition will go on round after round, local, state and national level. The unique way it is organized is that we are going to offer this competition, offer every Member of the House of Representatives, the opportunity to participate in this by establishing a local bicentennial committee which will work with the schools and end up with winners by congressional district level then a winner of the Senators from each state, the opportunity to participate by establishing state level committees, and then go on to the national level.

We are field testing this in 20 congressional districts, and the initial results are extremely positive, and the schools are quite receptive.

In fact, a number of the areas that we are field testing we are asking to test in 10 classrooms and some in 15 to 20 classrooms in the spring and the fall.

The full scale implementation of this practice, the $5 million appropriation, approximately half of that would be required in federal money to support the full scale implementation in every congressional district in the U.S.

That would leverage on about a 10 to 1 basis, public-private sector support from state and local levels, but the leverage factor should not be seen in terms of money.

It should be seen in terms of impact on the minds and the capacities of students, and the development among them of a reasoned commitment to our constitutional system.

As someone has said recently, we are always one generation from barbarianism. I believe Adlai Stevenson said democracy is not a self-fulfilling prophecy. There is a need for continuing educational programs to help students develop this understanding and commitment.

Chief Justice Burger said the bicentennial period should be a history and a civic lesson for all Americans. Their type of program understands the auspices of the commission on the bicentennial will help fulfill the goal and be, I believe, a signficant contribution to the reform and revitalization of civil education in our nation's schools.

I have limited myself to 5 minutes.

Mr. SMITH. This would be $5 million a year for how many years?

Mr. QUIGLEY. The authorizing language authorizes from 1987 to 1991 until the adoption of the Bill of Rights.

Mr. SMITH. That would be through 1991.

Mr. QUIGLEY. Through 1991, yes.

Mr. SMITH. This could be an additional $12 million?

Mr. QUIGLEY. Yes, sir.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. No questions.

Mr. SMITH. Thank you very much.

[The statement of Charles N. Quigley follows:]

Before the Subcommittee on
Commerce, Justice, State and Judiciary
Committee on Appropriations
United States House of Representatives

TESTIMONY OF
CHARLES N. QUIGLEY ON BEHALF OF
CENTER FOR CIVIC EDUCATION/LAW IN A FREE SOCIETY
IN SUPPORT OF THE
NATIONAL BICENTENNIAL COMPETITION ON THE CONSTITUTION AND BILL OF RIGHTS

March 3, 1986

The year the Congress enacted legislation authorizing the Commission on the Bicentennial of the United States Constitution, a high school student from West High in Iowa City, Iowa, testified before a subcommittee of the Congress in commemoration of the 196th anniversary of the approval in Convention of the Constitution of the United States and spoke of the importance of the doctrine of separation of powers. She began by remarking how much she relished the opportunity to appear before a subcommittee of the Congress and concluded by noting that "we have something very special and that is our Constitution." I am delighted to have this opportunity to concur in her observations and to speak in support of a unique National Bicentennial Competition being developed by the Center for Civic Education to provide opportunities in each congressional district for elementary and secondary school students to celebrate the bicentennial of the Constitution by learning more about it and discovering how to apply our governing principles.

The need for such a program is amply demonstrated in the congressional testimony of Professor Richard B. Morris in the hearings that led to the establishing of the Commission on the Bicentennial of the United States Constitution:

> Granted the Constitution's central place in American political life, it is hardly disputable that the public's understanding of the Constitution is at a low ebb, and that young people completing high school take with them an abysmal sum of ignorance about the constitutional system of this Nation.
>
> * * * *
>
> In the two national assessments of performance on citizenship, made first in 1969 and the second as recently as 1976, it was disturbing to find that test scores declined. More disturbing was the revelation that scores on citizenship and social studies declined more than those in reading, writing and science. The declines for the 17-year-olds were by and large greater than for the 9-year-olds and the 13-year-olds.
>
> Half the students of each age thought that the President could appoint the Members of Congress. Only a little more than half of the 17-year-olds and 32 percent of the 13-year-olds knew that each State has two Senators. Less than half of the 17-year-olds and less than one-fourth of the 13-year-olds knew that appointments to the Supreme Court must be confirmed by the Senate, while a big majority of the 17-year-olds felt that a two-thirds vote by the justices of the Supreme Court was necessary to declare a law unconstitutional.

To Establish a Commission on the Bicentennial of the United States Constitution: Hearing on S.J. Res. 33, S.477, and S.1631 Before the Subcomm. on the Constitution of the Senate Judiciary Comm., 97th Cong., 1st. Sess. 37 (1982).

A unique opportunity is upon us to correct this problem by revitalizing the development of citizenship skills through an educational competition. The National Bicentennial Competition on the Constitution and Bill of Rights can capture the attention and imagination of young people. We can utilize this occasion in our Nation's history to inform their minds and inspire their commitment to democratic principles and institutions.

It is my firm conviction that the National Bicentennial Competition ought to be among that necessarily limited number of projects to which the Federal Government can provide support this coming bicentennial year. It will bring credit and commendation to the Federal Government's efforts to help commemorate its own birth. It will serve the goals of scholarship and education in a meaningful commemoration on a nationwide scale. It can be a significant part of the activities celebrating our Constitution, which should serve, in the words of the Chief Justice of the United States Supreme Court, as "a history and civics lesson for all of us."

In a speech to the Southwestern Judicial Conference a few years ago, Dr. Mark Cannon, now Staff Director of the Commission of the Bicentennial for the United States Constitution, spoke about the need to secure commitment by young people to the fundamental values of our society:

> Though alcoholism, poverty and perceived social injustice all contribute to crime, perhaps there is a deeper force that is causing a breakdown of our society. These merely tip the raft of social order, while a deep current is moving the entire raft at a startling speed. That deep current is our failure to transmit positive values, norms and attachments from one generation to another.

Through the National Bicentennial Competition we can help bridge that gap and encourage both civic competence and social responsibility.

I enclose with this statement materials describing the National Bicentennial Competition, its structure and benefits. In sum, the Competition includes a six-week instructional unit on the Constitution, its history and principles, based on curricular materials we are creating. The Competition includes rounds at the school, school district, congressional district, state and national levels, in which each class participates as a team in tests of knowledge and understanding of the fundamental principles and values embodied in our Constitution. Then five class members are selected and prepared by their class to represent it in a constitutional hearing on a fundamental issue. We hope to involve Members of Congress, the judiciary, other public officials, educators and the legal community through district advisory committees and in judging the higher rounds of competition, as well.

The project is being field tested this year in more than 20 congressional districts and we are all very excited and encouraged by the progress we have made to date in developing course materials, training coordinators, and obtaining support from various federal agencies and local and national educational organizations.

This Subcommittee heard a little about this project in its February 19, 1986, hearing. First, Representative Boggs testified on behalf of the Commission on the Bicentennial of the United States Constitution, emphasizing the need to make this time one of cerebration as well as celebration and to involve young people especially in examining and understanding the Constitution. Thereafter, the Commission's Staff Director referred to this project in his remarks, describing as unique the six-week unit of instruction designed to precede the competitive stages. Later, Chairman Smith remarked on the need to educate young people regarding the powerful benefits of our system of government and referred to the law-related education activities at Drake Law School, which incidentally include participation in this year's field testing of the National Bicentennial Competition. Dr. Cannon responded by describing our efforts in greater detail and noting the Commission's interest in the National Bicentennial Competition on the Constitution and Bill of Rights.

For the National Bicentennial Competition to spread across the country, some federal assistance is needed. By passing title 5 of Public Law No. 99-194, the Congress acted last December to augment the original purposes of the Commission on the Bicentennial of the United States Constitution to direct the Commission to "implement an annual national bicentennial Constitution and Bill of Rights competition" based upon programs in elementary and secondary schools. I respectfully submit that the National Bicentennial Competition being developed by the Center for Civic Education is just such a program. The Congress provided a separate $5 million annual authorization for such programmatic activities in addition to the general authorization of the Commission.

Thus, I appear here today to seek support for appropriation of the $5 million in fiscal year 1987 necessary to fund last year's special authorization so that this National Bicentennial Competition can be implemented nationwide in a timely manner. The National Bicentennial Competition requires a total commitment of approximately $25 million to be implemented throughout the nation's 435 congressional districts, but only $2.7 million of this sum would be required in direct federal support. The bulk of the program's cost will be provided from public and private sources at the State and local levels. By funding these types of bicentennial activities through a $5 million appropriation, this Subcommittee can play a catalytic role in bringing the National Bicentennial Competition and other worthy programs to elementary and high school students, provide activities that will make this bicentennial period meaningful and develop our Nation's greatest resource, the promise of its young people.

In addition, I strongly support the $12 million request for fiscal year 1987 made on behalf of the Commission on the Bicentennial of the United States Constitution. This bicentennial period is fast upon us. We stand only 18 short months from the commemoration of the adoption in Convention of the Constitution. The Bicentennial Commission and its staff should be commended for their organizational accomplishments over the last several months. While planning is ongoing, much still needs to be done in a very short time. In contrast to the 10 years of planning and $141 million of federal support provided by 1976 for the commemoration of the bicentennial of the American Revolution, the Commission on the Bicentennial of the Constitution has less than one-fifth the time and the equivalent of less than one-tenth the funding to plan and execute a suitable commemoration of our founding charter.

I look forward to your support and involvement in these matters and thank you for the opportunity to appear before you.

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Benefits of the National Bicentennial Competition

For citizens

- Fosters the development of an enlightened populace by focusing on what every citizen should know about the Constitution and Bill of Rights. This should lead to:
    - an increase in reasoned commitment to the fundamental principles and values embodied in these documents; and
    - improved public debate on the application of those principles and values.
- Provides an effective and substantively sound means of commemorating the Bicentennials of the Constitution and Bill of Rights
- Provides for participation by representatives of national, state, and local public and private sector organizations, which will legitimize the program among key constituencies and provide quality control and the avoidance of bias in the program and its materials
- Builds pride in the nation and feelings of unity

For schools

- Helps fulfill the historic civic mission of education
- Improves instruction on the Constitution
- Fits and complements the required curriculum
- Provides opportunities for all students:
    - to take a part in the competition, from the lowest achievers to the most gifted
    - to engage in cooperative group activities and learning
    - to develop a team spirit in a meaningful endeavor
- Improves students':
    - attitudes towards government and other forms of legitimate authority
    - participatory skills and adherence to the rules of the game

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National Bicentennial Competition

Executive Summary

This concept paper describes the annual National Bicentennial Competition to be sponsored by the Center for Civic Education from 1987 through 1991 to commemorate the adoption of the Constitution and Bill of Rights and to revitalize educational programs on the Constitution in our nation's schools.

Each year the program will involve classes in one or more school systems in each of the Congressional districts in the nation in local, intermediate, and state level competitions. At the end of each year, a national competition will be held in Washington, D.C. for winning classes from each state participating in the program. (See Chart A below.)

Classes will prepare for the competition through the use of specially prepared study units on the Constitution and Bill of Rights designed to complement and be integrated into the required curricula in their schools at the upper elementary, middle and secondary levels. The content of the instructional and testing programs will focus on (1) antecedents to the Constitution in European History, (2) the founding period, (3) the Constitution in the 19th century, and (4) the Constitution in the 20th century. At levels appropriate for student capacities, these units will include a study of the Constitution, the Bill of Rights, the Federalist, and other basic documents and scholarly works related to these periods of our Constitutional history.

After completing their studies, classes will compete as teams in Bicentennial Competitions testing their knowledge and understanding of the Constitution. Test items will be designed to measure (1) knowledge of significant persons, events, concepts, principles, values, and issues related to the Constitution; (2) capacity to identify and apply Constitutional principles in specific situations; and (3) capacity to develop, support, and evaluate positions on enduring Constitutional issues.

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Executive Director

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The Competition will be administered by the Center for Civic Education with the assistance of a National Bicentennial Competition Advisory Committee composed of representatives of the three branches of the federal government, noted constitutional scholars, and representatives of leading public and private sector organizations.

At the state level, the competitions will be coordinated by State Bicentennial Competition Committees appointed by each state's members of the United States Senate. At the local level within each state, the competitions will be coordinated by Congressional District Bicentennial Competition Committees selected from among their constituents by members of the United States House of Representatives. (See Chart B below.)

Each year an organizational and training conference will be held in Washington, D.C. for three-member teams of leaders selected by the State Bicentennial Competition Committees to coordinate the competition in their states.

Approximately 300,000 persons will participate in the competition during the first year of its implementation with 1,000,000 or more participating in subsequent years. (See Chart C below.) Federal funds required for the program will range from approximately $700,000 for the first developmental year to three million for the five years of national implementation. It is reasonable to expect that these funds will be matched on approximately a ten-to-one ratio from state and local resources. (See Charts D and E below.)

15/cce/ojbcn

Chart A: Sequence of Competition

Step 1. Instructional Program (six week)

Step 2. School Level Competitions

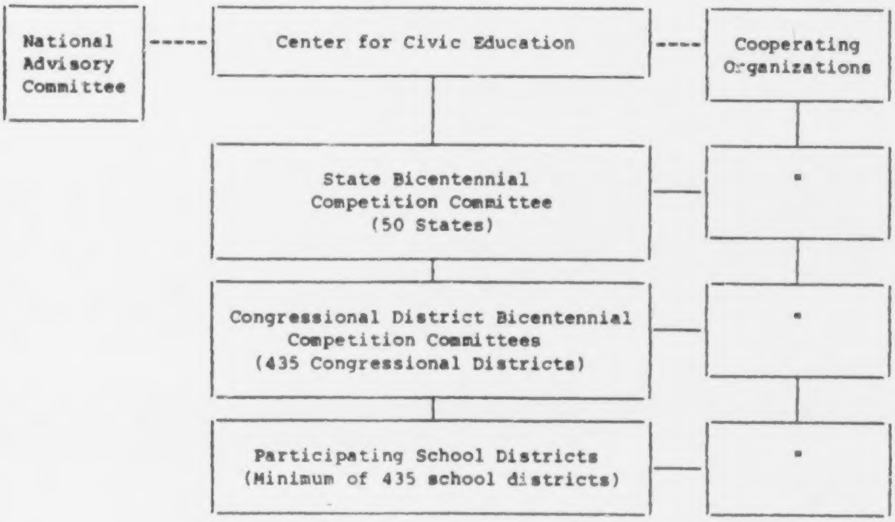
Step 3. District Level Competitions ,

Step 4. Congressional District Level Competitions

Step 5. State Level Competitions

Step 6. National Competition

Chart B: Administrative Organization


National Advisory Committee
Center for Civic Education
Cooperating Organizations
State Bicentennial Competition Committee (50 States)
"
Congressional District Bicentennial Competition Committees (435 Congressional Districts)
"
Participating School Districts (Minimum of 435 school districts)
"

Note: These are new versions to be used - June 9, 1985

Chart C: Estimate of Participants for the First Two Years of Implementation

		1986/87	1987/88
1.	National Bicentennial Competition Advisory Committee (20 members)	20	20
2.	State Bicentennial Competition Committees (50 states x 10 members)	500	500
3.	Congressional District Bicentennial Competition Committees (435 districts x 10 member)	4,350	4,350
4.	School districts (1 minimum in each Congressional district)	4,350	4,350
5.	Participating teachers	4,350	13,050
6.	Participating students (average of 70 per teacher)	304,500	913,500
Totals		318,070	935,770

Chart D: Estimate of Cost-Sharing for Full Implementation Years

1.	National Bicentennial Competition Advisory Committee (20 members x 4 meetings x $100)	$8,000
2.	State Bicentennial Competition Committees (50 states x 10 members x 4 meetings x $100)	$200,000
3.	Congressional District Bicentennial Competition Committees (435 districts x 10 member x 4 meetings x $100)	$1,740,000
4.	School districts (1 minimum in each Congressional district average administrative cost at $2,000 x 435)	$870,000
5.	Participating teachers [30 per Congressional district x 435 districts x (30 hours of instruction + 60 preparation) x $15 per hour]	$17,617,500
6.	Participating students (average of 70 per teacher)	- 0 -
7.	Classes attendance at state level competitions [50 states averaging 10 classes of 35 (stdts/tchrs) in final rounds x $200 per person for transportation and per diem]	$3,500,000
8.	Classes attendance at national level competitions (50 classes averaging 35 stdts/tchrs each x $400 for transportation and per diem)	$700,000
Total cost-sharing per year		$24,635,500

Chart E: Budget, Cost-sharing, and Private Sector Contributions

Preliminary budget estimates of the requirement for federal funds for the development and implementation of the Bicentennial Competition in all fifty states and cost-sharing from state and local sources are set forth below. As noted the CCE would promote the matching of federal funds on at least a ten-to-one ratio through cost-sharing by state and local educational agencies and by contributions from private sector sources that would be invited to co-sponsor the competition on local, state, and national levels.

Budget Estimate

Program years	Federal Funds	Cost-Sharing	Total Costs
1985-86	$1,000,000	(negligible)	$1,000,000
1986-87	$2,700,000	$27,000,000	$29,700,000
1987-88	$2,800,000	$28,000,000	$30,800,000
1988-89	$3,000,000	$30,000,000	$33,000,000
1989-90	$3,100,000	$31,000,000	$34,100,000
1990-91	$3,300,000	$33,000,000	$36,300,000
1991-92	$2,400,000	$35,000,000	$37,400,000
Totals	$18,300,000	$184,000,000	$202,300,000

Note: The above figures have been rounded off to the nearest one hundred thousand dollars with annual increases from 1986-87 through 1990-91 based on 5% inflation estimate. The reduced cost for the final year is due to not having to budget for the production of educational materials that year for a following year.

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NATIONAL BICENTENNIAL COMPETITION

Summary of Field Testing Project, Spring 1986

During the spring semester of 1986, the Center for Civic Education (CCE) plans to field test the eleventh/twelfth grade instructional and testing program that is to be a part of its annual National Bicentennial Competition to be held from 1987 through 1991. The program is designed (1) to commemorate the adoption of the Constitution and Bill of Rights and (2) to revitalize educational programs on the Constitution in our nation's schools.

Classes compete as teams

The full-scale competition to be held from 1987 through 1991 will involve elementary, junior, and senior high school classes, competing as teams, in school systems in each of the Congressional districts in the nation. Within each state, the competition will be held at local, intermediate, and state levels. At the end of each year, a national competition will be held in Washington, D.C. for winning classes from each state.

Instructional program

During the spring semester of 1986, the program developed for the eleventh/twelfth grade-levels will be field tested in a number of school systems throughout the nation. Classes in participating school systems will prepare for the competition by using a specially prepared study unit containing thirty lessons on the Constitution and Bill of Rights. The lessons are designed to complement and be integrated into the required curricula. The general goals of the unit are to foster civic competence and civic responsibility among students through the development of:

- o a fundamental understanding of the Constitution and Bill of Rights and of the principles and values they embody, and
- o an understanding of the rights and responsibilities of citizens in our constitutional democracy.

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San Diego

The content of the instructional and testing programs is organized to focus upon:

- the historical antecedents to the Constitution and Bill of Rights,
- the founding period,
- the Constitution in the 19th century, and
- the Constitution in the 20th century.

At levels appropriate for student capacities, the unit includes a study of the Constitution, the Bill of Rights, the Federalist, and other basic documents and scholarly works related to these periods of our Constitutional history.

The testing program

After completing their study, classes will compete as teams in demonstrating their knowledge and understanding of the Constitution. Each class will complete a multiple-choice test and participate in a moot court hearing on a fundamental constitutional issue. The combined score of classes on this two-part test will decide which will go on to the next round of the competition. Details on the testing program follow.

The paper and pencil multiple-choice test is being designed to measure student:

- knowledge of significant persons, events, concepts, principles, values, and issues related to the Constitution; and
- capacity to identify and apply Constitutional principles in specific situations.

Since participating classes will compete against each other as teams, the average score of a class on this test will be used rather than the scores of individual participants in the class. Thus, students in each class will be encouraged to study and work together so all can do their best on the test in order to get as high a class average as possible.

The moot court hearing, the second part of the test, will be held before a panel of experts on the Constitution, drawn from the community. This hearing will be designed to assess students' capacities to develop, support, and evaluate positions on enduring Constitutional issues.

Each class will select a team of five students to represent it at the moot court hearings. Once the team has been selected and the issue and the position of the team assigned, the entire class will be responsible for helping the team prepare for its presentation at the moot court hearing.

The score a team receives on its presentation will be added to the score of the whole class on the multiple-choice test to determine winning classes. In successive rounds, entire classes will continue to participate as teams in the competition by taking multiple-choice tests of increasing difficulty and by continuing to to coach their moot court teams.

During the 1986 field testing program, the testing rounds will be limited to the level of the school systems participating. During the full scale implementation of the competition from 1987 to 1991, testing rounds will include state and national competitions.

Congressional Involvement

The field-testing program will be administered by the Center for Civic Education with the assistance of a National Bicentennial Competition Advisory Committee. Members of Congress in whose states or congressional districts the program is being field tested will be invited to appoint representatives from their district offices to assist educational leaders in their areas to coordinate the program.

Leadership training

On February 7th and 8th of 1986, an organizational and training program was held in Washington, D.C. for educational leaders and others coordinating the field testing program in participating states.

Participating states

The CCE is anticipating the receipt of funding to support the field testing program in selected school systems in California, Connecticutt, Hawaii, Indiana, Iowa, Massachusetts, Mississippi, Nevada, New Jersey, New Mexico, Oregon, South Carolina, Utah, Vermont, and Washington.

Opportunity to participate in the field testing program

The principal resources expected to be available to the CCE for field testing the program have already been committed to school systems in the states noted above. However, additional resources may be available for other school systems wishing to participate in the field testing program during the spring of 1986. Interested persons are invited to contact CCE staff to discuss what level of support the CCE may be able to provide and what resoures would be required of the school systems to participate.

For additional information

For additional information on the field testing program or the full-scale competition to be held from 1987 through 1991, please contact Charles N. Quigley, Executive Director of the Center for Civic Education at (818)340-9320 or the address on this letterhead.

MONDAY, MARCH 3, 1986.

USIA

WITNESSES

ARTHUR A. RICHARDS, PRESIDENT, COLLEGE OF THE VIRGIN ISLANDS
ELIZABETH LISBOA-FARROW

Mr. SMITH. Dr. Arthur Richards. You may proceed.

Mr. RICHARDS. Thank you, Mr. Chairman and members of the Committee on Commerce, Justice, State and Judiciary.

I am Arthur A. Richards, President of the College of the Virgin Islands. I am grateful for the opportunity to appear before you to ask for the appropriation in the 1987 federal budget of $1.2 million for the Eastern Caribbean Center for Educational, Cultural, Technical and Scientific Interchange, referred to as the Eastern Caribbean Center.

Although a small sum——

Mr. SMITH. How much did you say?

Mr. RICHARDS. One point two million.

Although a small sum in terms of the federal budget, the appropriation is in the interest of the United States, security-wise and foreign policy-wise, and in many ways it would help to counter the efforts and successes of certain other influences in the Caribbean.

The Eastern Caribbean is of strategic value to the United States, but generally it has been neglected in favor of other areas which might be considered more susceptible to undesirable influences.

While the Soviet Union and its satellite are offering development assistance, health care and education to some of the nearby nations, the United States concentrates in other areas.

I call to your attention an attached article in the Virgin Islands "Daily News" of a few days ago, February 25, 1986, in which an admiral is pictured between two guns, and he is quoted as stating that the United States has "an awful lot of security interests down there". . . "The United States can't permit the spread of communism in the area."

Security is appropriate, but the fight to control the spread of communism will take more than arms and ammunition.

Even as I speak, and as the College has for several years tried to achieve adequate support for this understanding which is vital to the United States and the Caribbean, governments which embrace others ideologies are at work in the region.

At the College of the Virgin Islands and as loyal American citizens, we often express wonder that certain areas of our federal government do not seem to be aware of the developments in all of the Caribbean or of the impact that these developments could exert on the United States.

It is in this connection that we volunteered to be of service to the United States and to the Eastern Caribbean which is often overlooked while attention is devoted to other segments of the world.

Accordingly, we ask that, in view of the foreign policy nature of the enterprise, that the funding be through the State Department—the United States Information Agency—in a manner similar to the funding of the East-West Center in Hawaii which I visited during the early days of the conceptualization of the Center.

Bill number HR 3650 has been introduced by Virgin Islands Delegate Ron de Lugo, but meanwhile, the college received a planning grant of $150,000 and a later appropriation of $490,000 to enable us to maintain the initiative.

The funding we are now requesting, $1.2 million, would enable us to continue our efforts. I cannot over-emphasize the importance of this project to the United States.

The institution would, in cooperation with the Eastern Caribbean, including the University of the West Indies, attack regional problems and seek solutions.

The College would serve as the regional headquarters for strengthening relations, promoting understanding, and encouraging cooperation between the nations of the Eastern Caribbean and the United States.

President Ronald Reagan identified the college as the Center when he announced his Caribbean Basin Initiative, and we were happy that he visited Grenada recently.

We are quite proud that our initiative pre-dated those efforts and that President Reagan recognized the value and the necessity for the Center.

The College is accredited by the Commission on Higher Education of the Middle States Association. Offered are associate in arts degrees in occupational programs, bachelors of arts and bachelor of science in several areas of study needed in the Caribbean, and masters in public administration, business administration and several areas of education.

The faculty is very strong and of diverse backgrounds. More than one-half hold earned doctorates from prestigious universities.

Our standards are high. We demand much, and our graduates perform well in their chosen fields. Many of our graduates return to their homes to be of service in the region. Our alumni are professionals; professors, business people, scientists, teachers, physicians, agriculturists.

Our students came from the U.S. Virgin Islands, Anguila, Antigua, Aruba, the British Virgin Islands, Dominica, Grenada, St. Eustatius, St. Kitts, St. Lucia, St. Martin, Trinidad, and Africa, Europe and the United States mainland.

They are exposed to American democracy, and they return to their homes to occupy positions of responsibility.

The institution is a land-grant college. We maintain an agricultural experiment station and the extention services: animal science, agronomy, horticulture, pest control and pesticide management, and aquaculture, conducting research and solving problems peculiar to the Caribbean; as well as home economics, 4-H clubs, resource development, soil testing, irrigation engineering and, of course, home and farm visits.

The College's Caribbean Research Institute presently conducts research and disseminates its findings and recommendations in educational, social, ecological and water research.

In addition, there is faculty research, examples of which are literature, ciguatera (fish poisoning), small business, labor relations, race relations.

Outreach and community services include upgrading government workers, workshops for newly-elected legislators, needs assessments in the Caribbean and the small business development.

Continuing education, in addition to college-level adult instruction, conducts conferences, seminars and workshops, a few of which are the Annual Institute on Alcoholism and Drug Abuse for physicians, psychiatrists, nurses, lawyers, and other professionals from the Caribbean, gerontology and water-collection and preservation.

We have trained workers for the Public Works and the Employment Service and paralegals. We have hosted the Caribbean Food Corps Society meeting which was attended by three hundred people—I might add that is the largest attendance we have had—Caribbean Youth; Caribbean Playwrights; the Caribbean Studies Association, to cite only a few because of the limitation of time.

We have published papers for the benefit of the region. We have been of assistance to other nations in the region. We have the expertise, and we are familiar with the problems, some of which we experience.

The Reichhold Center for the Arts, reportedly the most beautiful modern outdoor theater in the region, exposes the populace to professional artists and provides opportunities for people of the region to develop skills in the arts.

As President of the College and one of the prime movers of the development of the College as a center, I visited the East-West Center at Honolulu in June 1983 where I was provided a thorough orientation into the workings of that center.

Although the operation of the Eastern Caribbean Center might not be exactly the same as the East-West Center, I returned with several good ideas which I discussed with the committee which assisted with the planning.

At this point the problems to be attacked have been grouped into several broad categories, although because of the limitation of funding only a few pilot projects have been undertaken.

The broad categories are: human resources—population; education and training; health; housing; culture and the arts history; youth. Environment and natural resources: land; sea; environment; water; pollution. Economic development: economic cooperation; agriculture; tourism; industry; energy; transportation; communication; technology. Government and politics: constitutional frameworks; forms of government; intergovernmental relationships.

The principal projects now in progress are: telecommunications; agriculture and natural resources; social and environmental research and development; human resource development training and education.

Why is the college most suited to be the center? The expertise is there. Its location is in the region. The culture is similar. The language is the same. There are family relationships. The problems are common. There is trust of and acceptance of the college. The college is a good example of American democracy.

What are some benefits to be derived? American foreign policy could be enhanced. Democratic principles and practices could counteract other ideologies. Increased intercourse among peoples and nations. Increased understanding among peoples. Improved standard of living for the region. Improved economic development in the region. Increased knowledge of the region. Development of democratic institutions. Greater possibilities for stability and peace.

Members of the committee, I appreciate the opportunity to appear before you. It is my hope that the results would be a greater understanding of the benefits of the Center and the small but very important fiscal 1987 appropriation of $1.2 million to the College of the Virgin Islands for the partial support to the Eastern Caribbean Center.

Appended to this discourse are the cited newspaper article, a Report of Activities of the Center as of December 31, 1985, a summary of the proposed utilization of the $1.2 million, and my resume.

Mr. Chairman, should there be questions, I would be happy to respond.

Mr. **Smith**. Thank you very much.

Of course, the Delegate of the Virgin Islands has been very supportive of this, and I just have to comment that it is nice for the Administration to name it as a Center, but they didn't back up the commitment by putting it in the budget.

That is where the money comes from. It makes it rather difficult.

Mr. Dwyer.

Mr. **Dwyer**. No questions.

Mr. **Smith**. Thank you very much.

Mr. **Richards**. Thank you very much, sir.

[The statement of Arthur A. Richards follows:]

JUSTIFICATION FOR FUNDING FOR THE EASTERN CARIBBEAN CENTER FOR EDUCATIONAL, CULTURAL, TECHNICAL AND SCIENTIFIC INTERCHANGE AT THE COLLEGE OF THE VIRGIN ISLANDS

SUBMITTED TO
THE UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON COMMERCE, JUSTICE,
STATE AND JUDICIARY

BY
ARTHUR A. RICHARDS
PRESIDENT OF THE COLLEGE

March 3, 1986

AT THE HOUSE SUBCOMMITTEE ON COMMERCE, JUSTICE,
STATE AND JUDICIARY
3 MARCH 1986

Thank you Mr. Chairman, Members of the Subcommittee on Commerce, Justice, State and Judiciary. I am Arthur A. Richards, President of the College of the Virgin Islands. Grateful for the opportunity to appear before you to ask for the appropriation in the 1987 Federal Budget of $1.2 million for the Eastern Caribbean Center for Educational, Cultural, Technical and Scientific Interchange referred to as the Eastern Caribbean Center. Although a small sum in terms of the federal budget the appropriation is in the interest of the United States, security-wise and foreign policy-wise, and in many ways it would help to counter the efforts and successes of certain other influences in the Caribbean.

The Eastern Caribbean is of strategic value to the United States, but generally it has been neglected in favor of other areas which might be considered more susceptible to undesirable influences.

While the Soviet Union and its satellite are offering development assistance, health care and education to some of the nearby nations, the United States concentrates on other areas.

I call to your attention an attached article in the Virgin Islands Daily News of a few days ago, February 25, 1986 in which an admiral is pictured between two guns and he is quoted as stating that the United States has "an awful lot of security interests down here"..."The United States can't permit the spread of communism in the area". Security is appropriate but the fight to control the spread of communism will take more than arms and ammunition.

Even as I speak and as the College has for several years tried to achieve adequate support for this undertaking which is vital to the United States and the Caribbean, governments which embrace other ideologies are at work in the region. At the College of the Virgin Islands, and as loyal American citizens we often express wonder that certain areas of our federal government do not seem to be aware of the developments in all of the Caribbean or of the impact that these developments could exert on the United States. It is in this connection that we volunteered to be of service to the United States and to the Eastern Caribbean which is often overlooked while attention is devoted to other segments of the world. Accordingly we ask that in view of the foreign policy nature of the enterprise that the funding be through the State Department--the United States Information Agency--in a manner similar to the funding of the East-West Center at Hawaii which I visited during the early days of the conceptualization of the Center. Bill number HR 3650 has been introduced by Virgin Islands Delegate Ron deLugo but meanwhile the College received a planning grant of $150,000 and a later appropriation of $490,000 to enable us to maintain the initiative. The funding we are now requesting $1.2 million would enable us to continue our efforts. I cannot over-emphasize the importance of this project to the United States.

THE CONCEPT

The institution would, in cooperation with the Eastern Caribbean including the University of the West Indies, attack regional problems and seek solutions.

The College would serve as the regional headquarters for strengthening relations, promoting understanding and encouraging cooperation between the nations of the Eastern Caribbean and the United States. President Ronald Reagan identified the College as the Center when he announced his Caribbean Basin Initiative and we were happy that he visited Grenada recently. We are quite proud that our initiative pre-dated those efforts and that President Reagan recognized the value and the necessity for the Center.

THE COLLEGE

The College is accredited by the Commission on Higher Education of the Middle States Association. Offered are associate in arts degrees in occupational programs, bachelors of arts and bachelors of science in several areas of study needed in the Caribbean, and masters in public administration, business administration and several areas of education. The faculty is very strong and of diverse backgrounds, more than one-half hold earned doctorates from prestigious universities. Our standards are high. We demand much and our graduates perform well in their chosen fields. Many of our graduates return to their homes to be of service in the Region. Our alumni are professionals: Professors, business people, scientists, teachers, physicians, agriculturists.

Our students come from the U.S. Virgin Islands, Anguilla, Antigua, Aruba, The British Virgin Islands, Dominica, Grenada, St. Eustatius, St. Kitts, St. Lucia, St. Maartin, Trinidad, and Africa, Europe and the United States mainland. They are exposed to American democracy and they return to their homes to occupy positions of responsibility.

The institution is a Land-Grant College. We maintain an agricultural experiment station and the extension services: animal science, agronomy, horticulture, pest control and pesticide management, and aquaculture, conducting research and solving problems peculiar to the Caribbean; as well as home economics, 4-H clubs, resource development, soil testing, irrigation engineering and of course home and farm visits.

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Outreach and community services include upgrading government workers, workshops for newly-elected legislators, needs assessments in the Caribbean and the small business development.

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At this point the problems to be attacked have been grouped into several broad categories, although because of the limitation of funding only a few pilot projects have been undertaken. The broad categories are:

HUMAN RESOURCES

- Population
- Education and Training
- Health
- Housing
- Culture and the Arts
- History
- Youth

ENVIRONMENT AND NATURAL RESOURCES

- Land
- Sea
- Environment
- Water
- Pollution

ECONOMIC DEVELOPMENT

- Economic Cooperation
- Agriculture
- Tourism

Industry

Energy

Transportation

Communication

Technology

GOVERNMENT AND POLITICS

Constitutional Frameworks

Forms of Government

Intergovernmental Relationships

The principal projects now in progress are:

Telecommunications

Agriculture and Natural Resources

Social and Environmental Research and Development

Human Resource Development Training and Education

Why is the College most suited to be the Center?

The expertise is there

Its location is in the region

The culture is similar

The language is the same

There are family relationships

The problems are common

There is trust of and acceptance of the College

The College is a good example of American democracy

What are some benefits to be derived?

American foreign policy could be enhanced

Democratic principles and practices could counteract other ideologies

Increased intercourse among peoples and nations

Increased understanding among peoples

Improved standard of living for the region

Improved economic development in the region

Increased knowledge of the region

Development of democratic institutions

Greater possibilities for stability and peace

Members of the Committee, I appreciate the opportunity to appear before you. It is my hope that the results would be a greater understanding of the benefits of the Center and the small but very important fiscal 1987 appropriation of $1.2 million to the College of the Virgin Islands for the partial support to the Eastern Caribbean Center.

Appended to this discourse are the cited newspaper article, a Report of Activities of the Center as of December 31, 1985, a summary of the proposed utilization of the $1.2 million, and my Resume'.

Mr. Chairman, should there be questions I would be happy to respond., The Virgin Islands Daily News, — 25 Feb 86; pp 3, 11.

Daily News Photo by HILLARY HODGE

Vice Admiral Henry C. Mustin finds it most comfortable standing in the Virgin Islands sunshine Monday on the USS Mount Whitney anchored outside St. Thomas harbor.

Admiral finds V.I. to his liking while dealing with U.S. security

By JOYCELYN HEWLETT
Daily News Staff

U.S. Navy Vice Adm. Henry C. Mustin enjoys visiting the Virgin Islands as much as the next person, but when he gets here it's business as usual.

"We have an awful lot of security interests down here," Mustin said Monday aboard his flag ship USS Mount Whitney. The United States can't permit the spread of communism in the area.

Mustin also is commander of the U.S. Second Fleet, one of the four major fleets in the Navy; commander of Joint Task Force 120, a combination of Army, Navy and Marine Corps units; and commander of Striking Fleet Atlantic, which comprises naval forces from NATO countries.

Mount Whitney, one of the largest and most sophisticated command ships ever commissioned, will leave St. Thomas Friday. About 1,000 people are aboard the 620-foot-vesel which is equipped with some of the largest military command and communications systems in operation.

Another Navy ship, USS Kit-

(Continued from page 3)

tiwake, which docked in Sub Base Sunday, will leave in three to four days. About 97 people are aboard.

Mustin said the Navy has been conducting intensive training off Puerto Rico in the past three weeks. The training is being done in this area because of the warm climate and the available range facilities.

He said the Navy is sensitive to the fears that local people have of being accidentally injured during a training exercise. Notices are published in advance stating when the Navy will be operating [illegible] area and warning persons [illegible] away.

Inspections also are made to ensure that the area is clear, and in cases where noise becomes a problem, the Navy tries to find solutions, he said. Several times the Navy ceased activities when noise was a problem.

About 34 ships carrying some 17,000 people have already been in the area as part of the training exercise, Mustin said. Many of them stay in the Puerto Rico area.

COLLEGE of the VIRGIN ISLANDS

MEMORANDUM

TO: The File

FROM: Wiley Huff WH

DATE: January 26, 1986

SUBJECT: EASTERN CARIBBEAN CENTER PROGRESS REPORT COVERING PERIOD FROM SEPTEMBER 1 TO DECEMBER 31, 1985

INTRODUCTION

The executive summary section of our major proposal to establish the Eastern Caribbean Center was redrafted. The draft was submitted to Delegate DeLugo and Mrs. Elizabeth Lisboa-Farrow. After further discussions with Mrs. Farrow it was summarized even further. On September 5, 1985, a letter was received from Attorney Margaret Martin Barry, counsel to Delegate DeLugo indicating that the executive summary was "quite suitable." After imparting some additional advice, she offered to assist the College in approaching Congress for further support for fiscal 1987.

A great deal of work has been expended in keeping the Caribbean and U.S. public aware of the Eastern Caribbean Center progress.

We have begun to implement each one of the projects which we have proposed as the "first phase of implementation of the Center." I have described some of that progress below.

Additionally, Delegate DeLugo reintroduced the legislation authorizing the State Department to establish the Eastern Caribbean Center at the College of the Virgin Islands (HR 3650); the bill was assigned to the Committee on Foreign Affairs. A copy of the bill and Mr. DeLugo's introductory statement are appended to this memorandum.

Attachments

OFFICE OF THE PRESIDENT • COLLEGE OF THE VIRGIN ISLANDS
CHARLOTTE AMALIE • ST. THOMAS • U.S. VIRGIN ISLANDS 00802
TEL.: (809) 774-9200
Please Reply Via Air Mail

I. TELECOMMUNICATIONS

Pilot Project, Low-Bandwith Telecommunications Network in The Eastern Caribbean Region

1. Project Description

This project is comprised of four phases: establishment of project, implementation of facilities, application of techniques, and analysis of results.

In phase one, discussions between CVI and officials in St. Kitts to validate the general approach to the project. Testing to validate the quality of the telephone connections between St. Kitts and St. Thomas using C.V.I. equipment. Memoranda of understanding will define the roles of the parties involved. This proposal and such memoranda will form the project definition.

In phase two, acquire and test the hardware and software required to link St. Kitts, St. Croix, and St. Thomas. The St. Kitts project coordinator to visit St. Thomas for training and take delivery of monitor, a MODEM, a graphics tablet, slow scan video input facilities, a printer, and conference telephone facilities. Two telephone connections will be established in each site, one for voice and one for data. The microcomputers will be connected through MODEMS and error rates at various transmission rates explored. Software/hardware will be tested to establish ability to transmit static video images, graphics tablet strokes, and text/graphics screens. Software to connect the Apples interactively will be tested.

In the third phase the facilities developed will be applied to communications in four different ways:

a) Informal teleconferences will be held between C.V.I. and St. Kitts. The subject of these conferences will be to develop and test procedures to be used subsequently. Evaluation reports will be written by both sites analyzing the effectiveness of the facilities in communications support.

b) Individual tutoring sessions on the use of the equipment and simple computer applications will be provided to personnel in St. Kitts. Evaluation reports developed jointly (network facilities will be used to refine planning for the instructional sequence to follow in "C" below).

c) A short instructionsl sequence in computer literacy will be offered by C.V.I. faculty from both campuses supported by individual and group tutoring sessions. This sequence will include general material on computers and their applications and specific instruction in word processing. BASIC programming, and use of the telecommunication facilities. This sequence will involve up to ten teachers in St. Kitts and should establish the skills needed for subsequent participation in the network by these teachers as well as providing a general computer literacy. Video tapes of lectures will be sent to St. Kitts after each session, and video tapes of students will be sent to C.V.I. Evaluation reports will include student reaction to the techniques employed as well as performance measurements. Anecdotal evaluation reports from this phase will document experiences using both student tutors and faculty at the "sending" end, and trained staff to provide assistance as well as unsupported novice students at the "receiving" end.

d) A teleconference will be held between administrators in St. Kitts and the Virgin Islands to review the project and facilities established.

In the final phase of the pilot project all preliminary reports will be reviewed and a summary report generated governing techniques explored, start-up and installation procedures, costs, personnel requirements, and results. This report will serve both as a guide for telecommunications planning in general and as a manual for establishment of similar facilities.

2. Progress to date

a) A site selection trip was made to St. Kitts by L. Rosenthal and A. Lewit. Meetings were held with the Ministers of Education and Agriculture/Planning, and with Mr. Halliday, Chief Education Officer, all of whom were enthusiastic about the project. A physical site was designated and inspected and organizational details defined. St. Kitts will designate a local coordinating officer who will be brought to St. Thomas for training. Tests were conducted using a C.V.I. Apple and communication between St. Kitts and St. Thomas was found to be excellent.

b) Initial equipment including two Apples, MODEMS, and a projection monitor was ordered. The monitor has arrived, the Apples should arrive soon.

c) The project proposal was revised to reflect definite selection of St. Kitts, and to provide for instruction in Computer Literacy suggested by St. Kitts. This proposal has been submitted to Dr. Kean for review and transmittal to St. Kitts.

d) Tests were conducted on C.V.I. telephone lines and it was determined that '6' exchange lines were adequate, but '4' exchange lines gave errors. This problem has been responsible for transmission errors in previous work. FORD Communications was contacted and they indicated that a special access code could be established which would always connect through the 6 exchange. College personnel have been contacted and a request is in progress to establish this access code on two extensions in room T101, and to arrange for collecting and accounting for telephone charges in connection with the project.

e) Work has been initiated on acquiring software and providing for filters to enable voice and data transmissions to use a single line.

f) Faculty members have been contacted and have agreed to participate in the literacy program. (Rosenthal, Lewit, DeLone, Irvine).

B. Courses and Seminars in Telecommunications

The U.S. Telecommunications Training Institute located in Washington, D.C. has offered in a letter dated August 15, 1985 to conduct two or three current courses, either concurrently or consecutively during the month of January at the College of the Virgin Islands. USTTI will arrange for the training in conjunction with their corporate sponsors. In addition, USTTI will conduct a tour of INTELSAT's earth station on Puerto Rico. They have also offered to conduct a seminar for high level government officials of the Caribbean at the College. We have accepted the offer as part of our Eastern Caribbean Center telecommunications project. The Center will be required to provide room and board to course participants, as well as some administrative support.

We have also requested that USTTI attempt to reschedule the course offerings until June or July when more space is available at the College. We have received confirmation that the courses will be offered during the entire month of July. Dormitory space has been secured. We must now select courses and participants.

II. AGRICULTURE AND NATURAL RESOURCES

A. Technical Information Exchange Among Agricultural Scientists

Editing and publication of the 300 page proceedings document for 1984 Caribbean Food Crops Society (CFCS) held on St. Croix, has been completed. The proceedings, printed under the auspices of the Eastern Caribbean Center, were mailed to agricultural scientists in the region. Further distribution will be continued at the CFCS annual meeting in Trinidad. These proceedings contain an enormous amount of technical information on food production and marketing. It is hoped that, through the use of this information, agricultural scientists in the Eastern Caribbean will become more able to assist local farmers, and in turn, enhance overall food production in the region.

B. Acquisition and Collation of Technical Information

Technical information from various islands has been collected, and on the basis of a preliminary assessment and identification of needs, nine (9) action-plan pilot projects have been designed. The titles of the projects and the names of the principal investigators are as follows:

1) "An assessment of Socio-Economic infrastructural linkages as related to the development of agricultural product marketing strategies on selected Eastern Caribbean Islands"

   Principal Investigators: Kenneth E. Green, Ph.D.
   Kofi Boateng, M.S.

2) "Evaluation of constraints in ruminant livestock health and production on various islands in the Eastern Caribbean"

   Principal Investigators: Stephan Wildeus, Ph.D.
   Duke L. Deller, D.V.M.

3) "An assessment of the potential for the development of Tilapis Culture on selected Eastern Caribbean Islands"

   Principal Investigators: James E. Rakocy, Ph.D.
   John Hargreaves

4) "Inventory of Technical Information of tropical fruit crops on selected Eastern Caribbean Islands"

   Principal Investigators: Agenol Gonzalez, M.S.
   Clinton George, M.S.

5) "An assessment of grass and legume needs of pasturelands in the Eastern Caribbean"

   Principal Investigators: Michael Michaud, Ph.D.
   Ellen Craft, M.S.

6) "An assessment of youth organizations in the Eastern Caribbean as the region immerses itself in the age of technology"

   Principal Investigators: Walter I. Kausenberger, Ph.D.
   Robert R. Webb, M.S.
   C. H. Holder, M.S.

7) "An assessment of youth organizations in the Eastern Caribbean as the region immerses itself into the age of technology"

   Principal Investigators: Zoraida Elminda Jacobs, M.A.

8) "Feasibility assessment for the establishment of a food science laboratory to serve as a resource center for the islands of the Eastern Caribbean"

   Principal Investigators: Olivia H. Henry, M.S.

9) "Food production and marketing technology transfer in the Eastern Caribbean Islands"

   Principal Investigators: Darshan S. Padda, Ph.D.
   Robert R. Webb, M.S.

C. Protocol Standardization

The necessary protocol procedures for on-site visits are being followed. On-going efforts to develop a collaborative network between responsible and authoritative entities throughout the islands continue to be both a priority and a necessary condition for effective work by the Eastern Caribbean Center.

D. Eastern Caribbean Youth Conference

A symposium was conducted by Zoraida Jacobs, 4H Program Leader, on November 22-24, 1985 entitled "Caribbean Youth in the Year 2001." The primary objective was to introduce young adults, ages 19 through 25 to a new technology and its impact on the Caribbean region. Twelve island nations had been invited to send two delegates. Dr. Jeannie Comma, graduate of CVI and an official with the Caribbean Association of Industry and Commerce in Barbados was the keynote speaker.

III. SOCIAL AND ENVIRONMENTAL RESEARCH AND DEVELOPMENT

Caribbean Research Institute Activities

A. All three centers at the Caribbean Research Institute (CRI) are engaged in projects under the auspices of the Eastern Caribbean Center. Two data bases are being prepared to reflect the state of research and implementation in water resources and natural resources in the region. In addition, a comparative study of crime and violence in the region is under way. In July and August, efforts related to the latter project, researchers interviewed commissioners of police in Barbados, Grenada, and St. Lucia, and searched relevant archives in Washington, D.C. Environmental planners represented CRI at a September conference sponsored by the Caribbean Conservation Association in Dominica.

B. Energy Model of Caribbean Ecosystems

The process of development intrinsically involves systems of man and of nature. A strong need exists for an evaluative and projective model of development in the Caribbean. A model, based on energy equivalent language, is being adapted from the analysis of regional ecological systems for this purpose. The first set of differential equations has been derived and the government data are being accumulated for the significant factor matrix. During the next quarter the data will be transformed to energy equivalents and expressed as differentials.

IV. HUMAN RESOURCE DEVELOPMENT TRAINING AND EDUCATION

The first phase of our development of course offerings is nearly completed. As a first phase under this section we are to specifically identify through a needs assessment survey the kind of short term courses and seminars which could most benefit the Eastern Caribbean at this time. Because these course offerings and seminars will be developed and implemented by the Center through the College of the Virgin Islands, it is by necessity that full implementation be executed into fiscal 1986.

The needs survey will determine which offerings to implement and given the resources, the most effective method of delivery.

The second phase will involve the development and implementation of those course offerings and seminars which have been identified as needed.

The Center entered into an agreement with Dr. Patrick Emmanuel of the University of the West Indies and former minister of education during the interim government of Grenada, and Dr. S. Jones-Hendrickson, Associate Professor of Economics and Research Associate of the Caribbean Research Institute, College of the Virgin Islands to provide the needs assessment required under the first phase.

Drs. Emmanuel and Jones-Hendrickson will provide the College with a final document in the nature of a needs assessment survey. This document will include and identify education and training needs in the islands of Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, Montserrat, Netherland Antillies, St. Kitts-Nevis, St. Lucia and St. Vincent and the Grenadines, will identify those needs as they exist in the public and private sectors, and identify them according to subject matter. Recommendations as to where the College can best allocate its resources in implementing some short term education and training courses will include but not be limited to, sites within the island where such courses can be delivered, persons to be contacted within the island who will act as laision, specific courses which would be offered, approximate number of persons to be served and costs associated with delivery of services.

Drs. Jones-Hendrickson and Emmanuel have visited all of the island nations, collected the necessary information and prepared a preliminary draft of their combined report. The final publishable report is due by February 28, 1986. Drs. Jones-Hendrickson and Emmanuel met with Dr. Kean in January to go over final document plans.

V. OTHER INITIATIVES WITHIN THE CENTER

A. Conferences

The Eastern Caribbean Center has proposed the hosting of several conferences which relate to problems in the Caribbean region. One such conference is the Caribbean Institute on Alcholism and Other Drug

Problems held at the College June 3-14, 1985.

The 11th Annual Caribbean Institute on Alcholism and Other Drug Problems (CARIAD) was attended by 59 students from 11 Caribbean countries. Of these, 43 completed the Basic Course only, 3 did a Special 3-Day Workshop on Employee Assistance Programs and 13 were allowed to do a Combined Course which included the 3-Day E.A.P. Workshop along with most of the 2-week Basic Course.

The participating Caribbean countries were: Antigua, Barbados, Bermuda, British Virgin Islands, Grenada, Jamaica, Montserrat, Virgin Islands, St. Kitts, St. Lucia, Trinidad and Tobago.

Financial support came mainly from the Amoco Foundation, The Smithers Foundation, the V.I. Department of Health and the College of the Virgin Islands with a special contribution this year from funds allocated to the Eastern Caribbean Center. Student scholarships were also provided by the Pan American Health Organization and a number of firms in the private sector of Trinidad and Tobago. The Council on Alcholism of St. Thomas-St. John and the Trinidad and Tobago Council on Alcholism and Other Addictions gave valuable support in other ways by the loan of films and Resource Personnel.

Questionnaires were used to assess attitude change and learning and to get an idea of the students' own evaluation of the Institute. The overall impression: the students were almost unanimous in their experssion of approval and their appreciation of both the Basic Course and the Specialized Workshop though the Basic Course seems to have come out a little better. The enthusiasm of the participants and the warm verbal responses at the final wrap-up session were eloquent testimony of their appreciation. A part of the final session was also devoted to Institute impact when some of the projects carried out during the year were discussed. A request has been made to the Pan American Health Organization for an objective outside evaluation of the impact of the Institute. It is clear that much has been accomplished already but there will always be need for on-going training of this kind.

Already the alumni of the 11th Institute have begun to carry out effective projects. For example - a Peer Counseling Training Program was carried out in July by a team lead by Mrs. Louise Yorke-Moore, Director of the College of Health Sciences, Trinidad and Tobago. She paid tribute at the Opening Ceremony to the inspiration she had received from the 11th Institute and she was assisted in her program by many alumni of the Institute.

B. Meetings with U.S. Agency for International Development

USAID invited, at its expense, Dr. William DeLone and Attorney Wiley Huff down to Barbados to discuss USAID's agenda in the Eastern Caribbean and how that agenda might interface with CVI's Eastern Caribbean Center. These meetings were held between September 30 - October 3, 1985.

Summary of Meetings

U. S. Agency for International Development (AID)

1. Monday morning: Present were Peter Orr, Director of the Project Development and Management Division, Stafford Griffith, Human Resource Development Office, and Jason Brown, Private Sector Office. Discussion focused on strengths and capabilities of CVI particularly the Business Division and on current U.S. AID project initiatives which matched CVI areas

of expertise. Meeting was exploratory.

Tuesday afternoon: With Jason Brown to discuss CVI's possible role in AID's upcoming $11 million project involving small enterprise assistance of the OECS nations. He was particularly interested in similarities between our SBDC and his regional small enterprise assistance program.

Thursday afternoon: First meeting with Steve Zadek, assistant director of agricultural programs. He described AID's upcoming $40 million agricultural project in OECS nations. This information has been passed on to Dr. Padda for review and consideration.

Second meeting with Stafford Griffith to discuss the Regional Development Training Project II aimed at middle management training in private sector of 12 Caribbean islands. This project is beginning its third year of a four year duration. The project has been contracted to Barbados Institute of Management and Productivity (BIMAP). Mr. Griffith felt there may be possibilities for CVI involvement as subcontractors to deliver training on specific topics for specific islands.

Third meeting wrap up session including Mr. James Holtaway, regional director, Mr. Charles Connolly, private sector office, Mr. James Brown, Mr. Peter Orr, Mr. Stafford Griffith and Mr. Steve Zadek. After Wiley Huff briefed Mr. Holtaway on the Eastern Caribbean Center, Dr. DeLone reviewed the week's activities and forwarded the following specific recommendations for CVI - U.S. AID cooperation:

a) Resurrection of management needs assessment study proposal to be conducted by CVI in cooperation with the Caribbean Association of Industry and Commerce (CAIC).

b) CVI participation in the Small Enterprise Assistance Program which will be managed by AID but implemented by CAIC. Participation would be in the form of short term consulting contracts to advise in development of program based on our SBDC experience and in the form of contracts to conduct small business training workshops throughout OECS nations on topics previously presented for SBDC program. (Interesting Note: AID is suggesting Ricky Skerritt to CAIC as regional coordinator for this project. Mr. Skerritt is an alumnus of CVI).

c) CVI as test site for a Caribbean Institute of Management to serve top level manage-training needs of business throughout the Caribbean.

Results: Mr. Holtaway was very receptive to the recommendations which were put forward. He was in favor of undertaking the needs assessment study and exploring the short term consulting possibilities. He indicated that these would represent good ways to establish a working relationship. He felt that there are several opportunities for collaboration between the Barbados Mission and CVI. He expressed interest in cooperating on agriculture and tourism projects in addition to private sector training projects. He also is interested in the telcommmunications project to offer computer literacy course to St. Kitts via telephone lines.

2. Caribbean Toursim Research Center (CTRC) - Mr. Luther Miller, Tourism Development Specialist. Discussion focused on CTRC research and development programs throughout the Caribbean, on CVI's Hotel and Restaurant Management Program as well as on tourism in general.

3. Barbados Institute for Management and Productivity (BIMAP) - a significant management training contractor with AID, Mr. Rudy Gibbons, Executive Trustee and Mrs. Pat Grant, Training Coordinator, and Stafford Griffith (AID). Discussions centered on comparing management sources, philosophy, training materials, etc. Areas of mutual interest and possible cooperative ventures were explored.

4. University of the West Indies, Cave Hill Campus

    a. Mrs. Joycelyn Massiah, Head of the Institute of Social and Economic Research (ISER). We reviewed the purpose and current status of ISER and also discussed CRI.

    b. Dr. Patrick Emmanuel (ISER). We discussed the progress of his needs assessment study.

    c. Mr. John Mayers, Head of the Department of Management Studies. Discussion centered on comparisons of our two management programs and the extent of UWI's community outreach programs in management.

5. Caribbean Association of Industry and Commerce (CAIC) a major contractor for AID's small enterprise assistance project Mr. Pat Thompson, executive director, Jeannie Comma (CVI graduate), program director for training, and Jason Brown (AID). Discussion focused on CVI business curriculum, SBDC entrepreneurship education and hotel and restaurant management cooperative ventures were discussed, including potential projects in the private sector. The AID small enterprise assistance program was discussed as well as cooperative involvement in a comprehensive management training need assessment study.

6. Caribbean Center for Administration Development (CARICAD) Mr.

Selwyn Smith, executive secretary. Mr. Smith discussed CARICAD programs involving public management training at top levels, CARICAD's government reorganization contracts with Jamaica and Dominica, and CARICAD/UWI local public management certification programs on 10 Caribbean islands. He was very interested in CVI and possibilities of cooperation.

Major Policy Issues Which Arose Based on Initiatives Started with AID in Barbados

1. Use of Eastern Caribbean Center monies as matching funds with AID funds to initiate cooperative ventures. For example, combining ECC funds with AID funds to conduct private sector needs assessment survey throughout the Caribbean. For example, combining ECC funds with AID funds to establish a Caribbean Institute of Management at CVI. Such program may be funded without some commitment from CVI. ECC funds will have a lot greater impact if supplemented by AID funding. Such ECC funds use could be considered an investment in significant AID funding in the future and would legitimize ECC fund requests in Washington.

2. Does CVI wish to expand on our SBDC experience by exporting small expertise throughout the OECS nations via short term consulting contracts and training contracts paid for by CAIC using AID funds? Basically, CVI would market program tried and proven in the V. I. through its SBDC.

3. Is CVI ready to undertake a major regional project such as a Caribbean Management Training Institute? Such a program would build on and greatly expand the management training programs we have offered to Virgin Islands business community through the Office of Community Services. Such an ambitious endeavor would require a major commitment

on the part of CVI and its Eastern Caribbean Center funds with concommitant substantial funding from AID. The College would be recognized as the regional training institution for top and middle level business managers. Such a program would require a separate organizational unit with flexibility of delivery. On-island training of managers would be a major component of the Institute as well as residence programs.

4. What role does CVI wish to play in the development of Tourism in the Virgin Islands and the region? Does CVI wish to become a training center for tourism management positions?

Mr. James Holtaway and Mrs. Holly Wise, as a follow-up, visited the College on November 18, 1985. This is the first time a USAID Mission Director has visited CVI. They met with Dr. Arthur A. Richards and all vice presidents and then with division chairs. Mr. Holtaway stressed that his visit was premised upon two things: pressure from Washington to get CVI more involved in USAID's regional portfolio of development projects, and the recognition that CVI, as a regional institution of higher learning, has done much throughout the region already without the benefit of federal assistance, and seemingly to have done those things well.

The two officials left CVI administrators with the firm impression that the Carribean Mission of USAID in Barbados was ready to assist in those areas where USAID program objectives correlated with those of CVI; specifically agriculture, education, health, nutrition, energy, environment, public administration, business administration, government services, economic development information systems, management, marketing, accounting, finance, and planning.

C. Public/Private Sector Cooperation to Sustain Stable Democracies in the English-speaking Caribbean

This conference, held in Barbados on November 7 through 10, 1985, provided a forum for leaders from throughout the region and the United States to come together to share common problems which tend to threaten the stable democracies. One such overriding problem is the inability of the public and private sectors to set common goals.

In attendance and participating were some of the following: U.S. Congressmen Mervyn Dymally, John Seilberling, Louis Stokes, Dante Fascell and James Fuster of Puerto Rico; Prime ministers Mary Eugenia Charles, Bernard St. John, Herbert Blaize, John Compton; other notable participants were Rafael Hernandez Colon, Governor of Puerto Rico, Julio Brady, Lt. Governor of the Virgin Islands, William Demas, President, Caribbean Development Bank, Phil Hughes, National Secruity Agency, Vic Johnson, House Foreign Affairs Committee, Stanley Smith, President, Shaw University, and Hugh Heyliger, Minister of Agriculture, Land, Housing Development, St. Kitts-Nevis.

Dr. Orville Kean was invited to address the conference during the banquet, sharing honors with Congressman Fascell.

The conference proved to be a golden opportunity to continue to discuss the College and its Eastern Caribbean Center with U.S. legislators and key political figures in the Caribbean. The invitation to participate orginated with Mrs. Elizabeth Lisboa-Farrow and was supported by her husband, Mr. Jeffery Farrow.

D. Reintroduction of Eastern Caribbean Center Bill in the House of Representatives

On November 5, 1985, Delegate Ron DeLugo reintroduced the legislation to authorize the establishment of the Eastern Caribbean Center, HR 3650. Primarily because this bill specifically names the College of the Virgin Islands as the locus of the center, we believe it is a much improved document. The bill was introduced in the House Foreign Affairs Committee.

E. Search for Additional Assistance in Washington, D. C.

Delegate Ron DeLugo has encouraged the College to seek additional assistance in Washington, D. C.; someone who can provide additional technical assistance to the Eastern Caribbean Center. That assistance, he has suggested, could take the form of rewriting the master plan so that it might be more palatable to a Republican Administration. He further suggested that any technical assistance would, by nature, necessitate knowing which buttons to push at the White House.

In keeping with that suggestion, CVI met with several persons or firms which had been recommended. They are as follows:

1. Powell Moore - Mr. Moore did not provide us with a resume, but he indicated that his firm, consisting of himself and former Congressman, Bo Ginn (D. GA), could rewrite the Eastern Caribbean Center plan and lobby the White House and the Hill. He said that he had been a member of the Nixon Administration in the Department of Labor; the Ford and Carter Administrations as a consultant; and in the Reagan Administration as a Congressional Liaison for Senate and in the State Department as Assistant Secretary for Congressional Affairs. He said that he did not believe that the plan needed rewriting, but he would do so if the College desired and provide lobbying effort. His fee: $25,000 for the first three months.

2. Dr. Bernard J. Luskin - Chairman, Board of Directors, American Association of Community and Junior Colleges and former president of Orange Coast College and Coastline Community College of California.

Dr. Luskin admitted not knowing very much about the Eastern Caribbean Center project, but during the interview he likened it to much of the work he had undertaken in California: the development of computer assisted instruction and distance learning through telecommunications technology.

3. Connie Mack Higgins - President of the Omega Group. The meeting with Connie Mack Higgins, Dale Saunders, and Randy Hall took place on December 11, 1985. Mrs. Lisboa-Farrow also attended the meeting. Mr. Higgins explained that he had had some connection with the Virgin Islands several years ago when he was an administrator with Small Business Administration, also, indicating that he was during that time the supervisor of Mr. Richard Montoya, Assistant Secretary of Interior. He was quite candid in stating that he could get CVI the right access to the White House.

In the final analysis, he suggested that CVI put together a request for services and let them review it and provide us with a proposal to accomplish those services. Although he did not quote a price, he did say that a rewrite of the document would be based upon one schedule and any lobbying would be based upon another.

He said that he had already submitted a proposal to Interior to provide some services to CVI.

CONCLUSION

Out of the three, the Omega Group seems to offer the most promise; primarily because of the Interior Department connection to Mr. Higgins. However, subsequent meetings with Mr. Frederick G. Mohrman, staff Assistant, Subcommittee on Interior of the Committee on Appropriations, chaired by Rep. Sidney R. Yates discouraged continued relations with

Interior on the Center project. Mr. Mohrman met with Dr. Kean and Dr. Padda and Mr. Robert Bunn, of the Interior Department at CVI in St. Croix. He criticized Interior's approach to CVI's Eastern Caribbean Center, and suggested that they just had no expertise in the matter, which should be under the aegis of the State Department.

F. Meetings in Washington D.C., December 11-13, 1985

1. December 11- Dr. Kean, Wiley Huff and Mrs. Elizabeth Lisboa-Farrow met with the following:

9:00 a.m. - The Omega Group, Connie Mack Higgins, Dale Saunders, and Randy Hall concerning further technical assistance.

2:00 p.m. - Victor Johnson, Staff Director and Lillian Nolan-Pubillones, Subcommittee on Western Hemisphere Affairs, House Foreign Affairs Committee concerning support and explanation of project components.

4:00 - Rep. Ron DeLugo and Attorney M. Martin-Barry concerning our various meetings with White House, Capitol Hill people and potential technical assistance help from those persons or firms listed in "E" above.

4:30 p.m. - Phillip Hughes, White House, National Security Council. Met with him only briefly.

5:00 p.m. - Reception on Capitol Hill gave us an opportunity to meet more people on the Hill and interest them in the Center.

2. December 12

9:15 a.m. -Helen Sramek, Administrative Assistant to Rep. Doug Berenter concerning support for legislation and continuing funding.

1:30 p.m. - Ira Hutchinson, Director of Historically Black Colleges and Universities Programs, Department of the Interior concerning role CVI could play in this program.

2:00 p.m. - Kittie Bauer, Deputy Assistant Secretary and Edgar Johnson, Territorial and International Affairs, Department of the Interior concerning Interior's perception of CVI and its Center. At that point the College was still having difficulty receiving its second $75,000 drawdown on the $490,000 line item. We were told that the second request should not have gone to Frank Solomon, although the first request did so.

3:00 p.m. - Senator Ed Zorinsky, Ranking Minority, Committee on Foreign Affairs, Subcommittee on Western Hemisphere. With the assistance of Barry Sklar and C. Grayson, Senator Zorinsky left his Committee meeting to come meet with us.

3:30 p.m. - Winston Wilkinson, Special Assistant to Secretary Wm. Bennett, Department of Education. Mr. Wilkinson has offered his services to assist the College in any way that he can. CVI was introduced to him through Mr. Edgar Johnson, Department of Interior. He has suggested a repackaging of CVI's request for dormitory construction funds through his office.

given up a cause, Honey Miller has earned the appreciation of all of us.

I have always been amazed at the effect that a few dedicated men and women can have in a community. Honey Miller is one such woman. Whether it is a cause that we can all join—like the life-and-death struggle with cancer—or a personal commitment to the political and civic activities in her community, Honey Miller's contributions have stood out as a mark against which we can all be measured. I am proud to call her my friend.

Mr. Speaker, I call on all my colleagues in the U.S. Congress to join me in congratulating the Eastern Queens Women's Democratic Club "Woman of the Year," Honey Miller, and in wishing her the best of luck as she continues to make eastern Queens a better place in which to live.

RESOLUTION TO HONOR FRANCIS SCOTT KEY

HON. MARY ROSE OAKAR

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 30, 1985

Ms. OAKAR. Mr. Speaker, I am pleased to sponsor a resolution which would authorize establishment of a memorial to honor Francis Scott Key.

Many Americans have paid tribute to our great Nation while singing the verses of "The Star Spangled Banner". Few, however, know much about the man who wrote the inspiring poem "The Defense of Fort McHenry," which was soon put to music and adopted as our national anthem in 1931.

Francis Scott Key, was a young lawyer from Washington, DC. In 1814, while on a mission of mercy, in which he freed an aging physician captured by the British, Key was arrested. All night long, while under guard, he witnessed "the bombs bursting in air" over Fort McHenry. Early the next morning he saw our Star Spangled Banner was still flying, signaling the defeat of the British. Key was very moved by the sight of our flag, and captured that historic moment with his stirring words which every patriotic American knows.

This memorial would publicly honor and recognize the contribution that Francis Scott Key has made to our national heritage.

TRIBUTE TO JOSEPH E. FAY

HON. JOSEPH J. DioGUARDI

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 30, 1985

Mr. DioGUARDI. Mr. Speaker, I rise today to announce the election of Joseph E. Fay to the position of national grand treasurer order, Sons of Italy in America. Mr. Fay has tremendous dedication to the betterment of mankind both locally and nationally. His election is a fitting tribute to his wisdom and experience. Italian-Americans should be greatly honored to have such an outstanding man within our community.

On Friday, November 1, in Pelham, NY, there will be a dinner and dance acknowledging his newly elected national post.

I extend my fullest congratulations and wish Joseph the best of luck in all of his endeavors.

THE 20TH ANNIVERSARY OF THE CLEVELAND JOB CORPS CENTER

HON. LOUIS STOKES

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 30, 1985

Mr. STOKES. Mr. Speaker, I take this opportunity to salute the Cleveland Job Corps Center on its 20th anniversary. Alpha Kappa Alpha Sorority, Inc. has served as the contractor for the center since it was established in 1965 in my hometown, the city of Cleveland, OH.

On November 1, 1985, the national president of the sorority, Ms. Faye Bryant, the board of directors, and residents of the Cleveland metropolitan area will celebrate the center's 20th anniversary. On behalf of the residents of the 21st Congressional District, I salute the center staff and the sorority on this significant occasion.

It has been my pleasure to work closely with the center staff through the years. Under the strong leadership of its former directors, Mrs. Mary Chambers and Dr. Zelma George Watson, the Cleveland Job Corps Center made an indelible mark on thousands of young men and women. Under the leadership of its current executive director, Mrs. Jeanne Walker, the center staff continues this tradition of excellence both to its students and the Cleveland community, at large.

As the center celebrates its 20th anniversary, it is an appropriate time to reflect on the achievements of its staff and graduates. The Cleveland Job Corps Center has the distinction of being one of only two centers operated by a women's organization.

This particular center has a proven track record of success. Since opening its doors in 1965, the center has served over 19,000 young men and women. There are more than 8,000 graduates of the Cleveland Job Corps Center. Many of those graduates have continued their education in advanced vocational schools, colleges, and military service. Ultimately graduates have assumed positions in various fields ranging from public schoolteachers, to law enforcement officers to bank officers.

To meet the growing demands of the students, the center staff and facility have also grown. The center has increased its capacity from 325 young women to its present capacity of 530 young women and men. During its 20-year span of service, the center staff moved from a 6-story facility to its present 11-story building in the University Circle area of Cleveland.

Mr. Speaker, in addition to serving the students, the Cleveland Job Corps Center has made an indelible mark on the community. The center staff have spent over $100 million in the greater Cleveland community through goods and services purchased from local businesses. Many Cleveland and 21st District residents have benefited from the programs and training they received at the center.

Mr. Speaker, it is a special pleasure to use this occasion, the 20th anniversary of the Cleveland Job Corps Center, to acknowledge the numerous accomplishments of the center and its dedicated staff. The center has been a lifeline and a beacon of hope to the students it has served and to the people of the 21st Congressional District. At this time, I ask my colleagues to join with me in saluting the Cleveland Job Corps Center on the occasion of its 20th anniversary.

EASTERN CARIBBEAN CENTER

HON. RON de LUGO

OF THE VIRGIN ISLANDS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 30, 1985

Mr. DE LUGO. Mr. Speaker, last year I introduced legislation to authorize funding for an Eastern Caribbean Center at the College of the Virgin Islands. This year I am joined by my colleagues, Mr. FOLEY, Mr. BARNES, Mr. GRAY of Pennsylvania, Mr. GARCIA, Mr. ALEXANDER, Mr. RANGEL, Mr. HUTTO, Mr. LAGOMARSINO, Mr. BEREUTER, and Mr. O'BRIEN, in introducing legislation which would accomplish the same.

The Eastern Caribbean Center would be developed to provide the educational and technical resources needed in the small island nations of the eastern Caribbean chain. These small islands, an afterthought in the planning of the Caribbean Basin Initiative, came to the country's collective attention when President Reagan decided to respond to requests made by neighboring islands asking that United States invade Grenada, an island which was rapidly being subsumed by Communist forces from without. Now that the country has taken this firm step in the region, we need to focus our attention on assisting each of the eastern Caribbean nations in their struggle for economic viability.

A 1984 study by the General Accounting Office found that between 1972 and 1982 the Soviet Union, other Warsaw Pact countries and Cuba significantly stepped up their all-expense paid scholarship aid for students from the Caribbean and Latin America, by 205 percent. Meanwhile, the United States has decreased its government-sponsored aid by 52 percent. The impact of this educational assistance must not be overlooked.

The College of the Virgin Islands is already playing a small role in countering the impact of this focus by Communist governments. I have met a number of entrepreneurs and government officials from newly independent eastern Caribbean nations who have trained in the Virgin Islands. By way of example, the newest nation is St. Kitts and Nevis, and the Minister of Agriculture is a graduate of the College of the Virgin Islands. This means that the gentleman is the alumnus of an American, as opposed to a Soviet, institution. The impact on his perspective should go without saying. Furthermore, the impact on his ability to respond to the particular agricultural needs of that island nation is probably greater. This latter point serves for mainland United States institutions as well. The College of the Virgin Islands has focused its curriculum on the specific needs of small Caribbean islands. It has amassed a body of expertise on the needs of these islands that is hard to find in other institutions.

I did not push the proposal introduced last year because I wanted the College of the Virgin Islands to develop a complete proposal for developing the Eastern Caribbean Center. This it has done. The center is roughly modeled on the east-west center in Hawaii. Its bent is more technical, however, and its plan includes the hands on response to skills needed to avert crises. I think the proposal demands you attention, and your support.

There is an aspect of this proposal that I am particularly interested in encouraging. The U.S. Virgin Islands, as I noted, is pleased with its status as an American jurisdiction. What would make the people of the islands take more pride in this status is to be given a role in the country's foreign policy in the region. Thus far, Virgin Islanders have served in three wars and can claim one U.S. Ambassador as a native son. I cannot understate the enthusiasm that would attend the Federal Government's recognition of the role we are uniquely positioned to play in the eastern Caribbean.

THE PRESIDENT'S SPEECH TO THE U.N. GENERAL ASSEMBLY

HON. TOBY ROTH

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 30, 1985

Mr. ROTH. Mr. Speaker, I would like to take this opportunity to commend President Reagan for his inspiring address last Thursday before the U.N. General Assembly. The President of the United States speaks for all Americans when he declares that we champion freedom not only because it is practical and beneficial, but because it is morally right and just. Each of us believes as the President that:

> Free people, whose governments rest upon the consent of the governed, do not wage war on their neighbors. Free people, blessed by economic opportunity, and protected by laws that respect the dignity of the individual, are not driven toward the domination of others.

The President correctly points to Ethiopia as one of the countries in this world that abridges the freedom of its people. Chairman Mengistu's Marxist-Leninist crusade, wholly supported by Soviet and Cuban troops, sentences the lives of Ethiopians to a reign of terror. As Assistant Secretary Chester Crocker testified on October 16:

> Ethiopia remains bereft of the most basic legal, political, and social freedoms. This deplorable human rights situation exists because Chairman Mengistu and a small group of associates wield ultimate power through intimidation and arbitrary arrest, and maintain complete control over all aspects of Ethiopian life. There is no free press, no independent means of political participation and no independent judiciary.

In Ethiopia, the United States has launched the single, largest relief effort in Africa's history. Our top priority has been to feed as many starving Ethiopians as possible. In stark contrast, the priorities of Ethiopia's Government are to: First, wage civil war against its people, second, feed the urban populations, where it derives its support, third, forcibly relocate 1.5 million Ethiopians 400 to 500 miles from their homes, and, fourth, feed the starving. In no uncertain terms, the Ethiopian Government has played a significant role in the creation, maintenance, and expansion of the present famine.

The United States has supplied over 460,000 metric tons of food to Ethiopia, feeding close to 4 million people. Meanwhile, the Soviet Union and Cuba have supplied 1,700 advisers, 2,500 troops, and $4 billion in weapons.

President Reagan calls for a process of negotiation, the withdrawal of foreign troops, and national democratic reconciliation in Ethiopia. Furthermore, the President commits that until these negotiations produce definitive progress, America's support for struggling democratic resistance forces must not and shall not cease.

Up until now, United States support in Ethiopia has been limited to emergency economic assistance to the starving suffering under Chairman Mengistu. It's time for us to lend support for the Ethiopian democratic resistance forces within the country and in exile along Ethiopia's borders. Many of us in Congress believe that now is the time to help democracy's call in Ethiopia. Many of us dare to believe that liberty and the torch of peace can be achieved in Ethiopia; 200 years ago, Bertrand Barere warned: "The tree of liberty grows only when watered by the blood of tyrants." The rains are returning to the parched Ethiopian plains, nurturing with it a harvest of unrest.

TRIBUTE TO MAESTRO MARTIN CANELLAKIS

HON. JAMES H. SCHEUER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 30, 1985

Mr. SCHEUER. Mr. Speaker, I would like to take this opportunity to bring to the attention of my colleagues the many accomplishments of Martin Canellakis as he leaves his position as music director of the Queens College Orchestral Society. His 10 years of service as maestro have won him the abiding respect and affection of the members of the society.

Beginning his early musical studies at the piano in Tientsin, China, where he was born in 1912 of Greek-Russian parents, Martin Canellakis grew up in Australia and France. As a teen, Mr. Canellakis received highest honors as a pianist at the prestigious Ecole Normale de Musique in Paris. In 1960, he came to the United States to further his musical education and was graduated from the Juilliard School, where he pursued both piano and conducting studies.

Mr. Canellakis has worked with such noted figures as Jorge Mester, Sixten Ehrling, Leon Barzin, Walter Susskind, and Carl Bamberger at the Mannes College of Music, where he received the Carolyn M. Perera Award in orchestral conducting. At the age of 21, he founded and conducted the Peabody Chamber Orchestra and was invited to guest conduct the Baltimore Symphony in the Rockefeller Project for American Music. He has appeared on NET television conducting the National Orchestral Association, and has conducted orchestral ensembles at the Meadow Brook, Aspen and Southern Vermont Music Festivals. For nine seasons, he was music director of the Brooklyn Symphony Orchestra and, during the 1981–82 season, he guest conducted the Westchester Symphony Orchestra and made several appearances with the Eglevsky Ballet. He received critical acclaim for his concerts with the Queens College Orchestral Society in performances at New York's Lincoln Center. Mr. Canellakis is currently in his third season as music director of the Westchester Symphony Orchestra.

Mr. Canellakis has also established an international reputation, conducting in Denmark and Italy, and he has been guest conductor of the Jerusalem Symphony Orchestra in Israel.

In his tenure as music director, Mr. Canellakis has raised the musical standards of the Queens Orchestral Society to new heights, providing the Flushing community and the rest of Queens County with a superb quality of music. In addition, he has served the educational and outreach goals of Queens College—a component of the City University of New York.

Although his students, friends and neighbors regret the fact that he will be leaving his position with the Society, I am pleased to note that Maestro Canellakis will not be leaving the cultural confines of the Eighth Congressional District entirely. He will continue to serve as a member of the faculty as Queensborough Community College in the Oakland Gardens section of Queens and remain music director of the Queensborough College Orchestra.

PERSONAL EXPLANATION

HON. SILVIO O. CONTE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 30, 1985

Mr. CONTE. Mr. Speaker, during the second vote on the Frank amendment to the defense bill today which took place in the House prior to final passage, I was unable to make that vote because I was in a meeting regarding another appropriations bill. Had I been present I would have voted "aye" as I did in the Committee of the Whole when Mr. FRANK offered the amendment.

99TH CONGRESS
1ST SESSION

H. R. 3650

To establish an Eastern Caribbean Center at the College of the Virgin Islands.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 30, 1985

Mr. DE LUGO (for himself, Mr. FOLEY, Mr. BARNES, Mr. GRAY of Pennsylvania, Mr. GARCIA, Mr. ALEXANDER, Mr. RANGEL, Mr. HUTTO, Mr. LAGOMARSINO, Mr. BEREUTER, and Mr. O'BRIEN) introduced the following bill; which was referred to Foreign Affairs.

A BILL

To establish an Eastern Caribbean Center at the College of the Virgin Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. The Congress finds and delcares that—

(1) the United States has a direct interest in the economic and social development of the island nations of the Eastern Caribbean;

(2) while the Caribbean Basin Economic Recovery Act establishes trade incentives for the Caribbean region, there has been no concurrent attempt to pro-

vide skills needed to respond to the growth which the United States would like to foster;

(3) if our Nation's plans to stabilize the Caribbean region are to be fruitful, education and technical training are crucial;

(4) the United States Virgin Islands has firsthand experience in addressing the needs of small, developing islands;

(5) as part of the United States and part of the Eastern Caribbean, the United States Virgin Islands is ideally placed to serve these objectives;

(6) the United States Virgin Islands is uniquely equipped to respond to the special needs of the island nations of the Eastern Caribbean; and

(7) the United States Virgin Islands has the capability of providing instruction and service to those island nations in need of such assistance.

SEC. 2. In order to carry out the purpose of this Act, the Secretary of State (hereinafter referred to as the "Secretary") shall provide for—

(1) the establishment and operation in the United States Virgin Islands of a division of the College of the Virgin Islands to be known as the Eastern Caribbean Center;

(2) grants to the College of the Virgin Islands to develop facilities and curricula necessary to meet the goals of the Eastern Caribbean Center;

(3) grants, fellowships, and other payments to outstanding scholars and authorities as may be necessary to attract such scholars and authorities to the Center;

(4) grants, scholarships, and other payments to qualified students from Eastern Caribbean nations as may be necessary to enable such students to engage in study or training at the College of the Virgin Islands; and

(5) developing through the College of the Virgin Islands an extension service to provide technical education in Eastern Caribbean nations to residents of such nations.

SEC. 3. The Eastern Caribbean Center shall operate as a semi-autonomous division of the College of the Virgin Islands, the purpose of which is to establish the needs of the Eastern Caribbean nations, seek to meet these needs through the college, and provide a forum for political, social, cultural and economic interchange for the Eastern Caribbean region.

SEC. 4. (a) The Secretary shall make arrangements with the College of the Virgin Islands for disbursement of all grants authorized by this Act, along with any other resources designated for carrying out this Act, and including any other resources designated for carrying out the purposes and functions of the Center.

(b) The Secretary may, in administering the provisions of this Act, accept from public and private sources money and property to be utilized in carrying out the purposes and functions of the Center. For purposes of Federal income, estate, and gift taxes, any gift, devise, or bequest accepted by the Secretary under this Act shall be deemed to be a gift, devise, or bequest to or for the use of the United States.

(c) The Secretary shall make an annual report to the Congress with respect to his activities under the provisions of this Act, and such report shall include any recommendations for needed revisions in this Act.

SEC. 5. For purposes of this Act, the term "Eastern Caribbean Nations" includes—

(1) Anguilla,

(2) Antigua and Barbuda,

(3) Barbados,

(4) Dominica,

(5) Grenada,

(6) St. Lucia,

(7) St. Vincent and the Grenadines,

(8) Monteserrat,

(9) St. Kitts-Nevis,

(10) British Virgin Islands, and

(11) Netherlands Antilles.

SEC. 6. There are hereby authorized to be appropriated such funds as may be necessary to carry out the purposes of this Act.

○

SUMMARY OF THE PROPOSED UTILIZATION
Of $1,200,000: EASTERN CARIBBEAN CENTER, 1987

	$1,200.000
Agriculture and Natural Resource Development	347,400
	852,600
Social and Environmental Research and Development	126,000
	726,600
Demonstration Project of Course Instruction	171,600
	555,000
Pilot Program of Training in Critical Professional Fields	150,000
	405,000
Telecommunications	345,000
	60,000
Administration	60,000

RICHARDS, Arthur A. (Ed.D.), President, College of the Virgin Islands

Home Address: The College of the Virgin Islands
Born: St. Croix, U.S. Virgin Islands, September 8, 1924. S: Claude J. and Evelyn M. (DuBois) Richards

Education: Public elementary and secondary schools of St. Croix, Virgin Islands. B.S. Howard University, 1948; M.A. Hampton Institute, 1961; International Institute on Comparative Education, Italy and the Netherlands, 1962; Ed. D., New York University, 1965. Various institutes, seminars and workshops on many topics including management, labor relations, education, the behavioral sciences, and computer uses. One internship in educational administration. Master's Thesis: Public Education on St. Croix, U.S. Virgin Islands since the Implementation of the 1954 Organic Act. Doctor's Dissertation: The Development of a Linear Programmed Instructional Unit in the Theory of Decision-Making and an Evaluation of its Usefulness as a Teaching Device.

Married: Myrna V. Todmann of Frederiksted, U.S. Virgin Islands, April 2, 1955; dau: Milton and Iris Todmann. c: Anthony, Pamela, Duane.

Experience: Teacher, Frederiksted Jr. High, U.S. Virgin Islands 1949-50; Teacher, Christiansted High School, ibid., 1950-51; Principal, Frederiksted Elementary School, ibid., 1951-58; Principal Christiansted High, St. Croix, ibid., 1958-60; Deputy Commissioner of Education, Department of Education, ibid.,1960-63; Assistant Commissioner, Charlotte Amalie, St. Thomas, 1963-66; Commissioner of Education, ibid., 1966-69. Provost and Dean of the College, ibid., 1969-78; Vice President and Provost of the College, ibid., 1978-1980; President of the College, ibid., 1980 - . Various boards and commissions, including but not limited to The Virgin Islands Council on the Arts, the Virgin Islands Advisory Council on Vocational and Technical Education, the National League for Nursing's ad hoc Committee on Review and Revision of the Criteria for Accreditation, The Virgin Islands Rural Affairs Council, the Virgin Islands Health Coordinating Council, and the Executive Committee of the Association of Caribbean Universities and Research Institutes.

Member: Phi Delta Kappa; Kappa Delta Pi

Travel: Austria, Belguim, England, France, Germany, Italy, Central America, Lichtenstein, Mexico, Netherlands, South America, Spain. Switzerland, the West Indies and most of the United States.

Hobbies: Dancing, Fishing, Gardening, Swimming, Reading.

MONDAY, MARCH 3, 1986.

JAPAN-U.S. FRIENDSHIP COMMISSION

WITNESS

CHALMERS A. MacILVAINE, JAPAN AMERICA SOCIETY OF ST. LOUIS

Mr. SMITH. Mr. Chalmers MacIlvaine.

Mr. MACILVAINE. Good morning. My name is Chalmers A. MacIlvaine, and I am commonly known as Chad. Don't get into that, though.

Following a brief introduction to Japan, courtesy of the United States Navy in August and September 1945, my business career has had me continuously involved with Japan-U.S. relationships since the early 1960's.

As chief financial officer of Kaiser Steel and later Peabody Coal, I participated in negotiations and financings for the supply of iron ore and cooking coal to the steel industry of Japan as it rose from the ashes of World War II.

In 1975-77, I served as deputy head of Bank of America's Asia Division headquarters, then relocated from San Francisco to Tokyo. For the past two and a half years I have been executive director of the Japan America Society of St. Louis.

Along with many others, I do believe that the next 50 to 100 years will be the "Time of the Pacific Basin" as regards growth and development.

That is where the action will be, and it is inconceivable to me that Japan and the United States will not be major collaborators and beneficiaries in that bonanza. However, despite the seemingly obvious mutuality of national interests, there are serious gaps in basic understanding and sensitivity between our very different cultures.

In mid America the need for improved communications, basic knowledge and free exchange of views regarding Japan is particularly critical.

Here the Friendship Commission has done great service in supporting the activities of Japan America Societies such as ours in St. Louis. We bring together Japanese and American businessmen concerned with improving trade and economic relations between our countries.

We do strive for balance between programs aimed at the business, cultural and academic sectors since all contribute to an overall enhancement of mutual understanding.

In the business sector over the past several years, St. Louis programs have featured such presentations as: debate on free trade versus protectionism; report from U.S. Japan Advisory Commission; high-tech competition with Japan—and that is a very interesting subject; new approaches to economic relations with Japan; Japanese investment experience in Missouri—and we have some very good investments there; operating a U.S. company successfully in Missouri; Japan and the U.S., a relationship undergoing changes—this was a presentation by General Larry Snowdon coming out of Tokyo; Japanese value system in relation to business; high stakes in the Japan-U.S. trade dispute; Japan as a new frontier for American business; the emerging Pacific century; investing in Japanese securities; Japanese productivity: a blend of automation and common sense—most recently we had an excellent program on Japanese productivity.

In June of this year we are holding a mid America business conference in St. Louis on the topic "Winning Big with Japan"—success stories of quite a number of American companies that have done well working with and in the Japanese business sector, and we will have workshop seminars dealing with the support services available to companies that want to work in this sector.

Since Friendship Commission funding support was granted to St. Louis in 1983, our society has been transformed from a semi social and cultural club into a professional organization dealing effectively with the hard realities of Japan-U.S. trade and economic relationships in today's world. Without that support, the new St. Louis program would not have been possible.

We need the continued and increasing support of the Friendship Commission. With its help and guidance a good start has been made, but there is a great deal more to be done.

Thank you.

[The statement of Chalmers A. MacIlvaine follows:]

Statement of **Chalmers A. MacIlvaine**

Appearing before House Appropriations Subcommittee
on Commerce, Justice, State, and Judiciary

Monday 3 March 1986

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- Japanese investment experience in Missouri
- Operating a U.S. company successfully in Japan
- Japan and the U.S. - a relationship undergoing changes
- Japanese value system in relation to business
- High stakes in the Japan-U.S. trade dispute
- Japan as a new frontier for American business
- The emerging Pacific century

- ° Investing in Japanese securities
- ° Japanese productivity: a blend of automation and common sense

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We need the continued and increasing support of the Friendship Commission. With its help and guidance a good start has been made, but there is a great deal more to be done.

Thank you.

Attachments: Japan America Society of St. Louis brochure
C.A. MacIlvaine biographical summary

MACILVAINE, CHALMERS ACHESON, financial executive; b. Bklyn., Oct. 25, 1921; s. James Andrew and Helen Marie (Acheson) MacI.; m. Elizabeth Jean Babcock, Mar. 26, 1943; children: Judith Anne, Joseph Chad, Martha Elizabeth. A.B., Stanford, 1943. With Kaiser Steel Corp., 1946-73, asst. controller, 1953-62, treas., 1962-70, v.p., 1967-70, v.p. finance and planning, 1970-73; also v.p., dir. subsidiaries; v.p. project financing group Bank of Am., San Francisco, 1973-74, sr. v.p., dep. head Asia div., 1974-77; sr. v.p.-fin. Peabody Coal Co., St. Louis, 1978-80; sr. v.p., dir. Stifel, Nicolaus & Co., Inc., St. Louis, 1980-83; exec. dir. Japan Am. Soc. of St. Louis, 1983—; pres. Bamerical Internat. Fin. Corp., 1973-74. Served to lt. (j.g.) USNR, 1943-46. Mem. Phi Beta Kappa, Sigma Chi. Clubs: Berkeley Tennis, Tokyo Lawn Tennis, Frontenac Tennis, Creve Coeur Racquet, Clayton. Home: 650 S Price Rd Saint Louis MO 63124 Office: 111 S Bemiston Ave Saint Louis MO 63105

JAPAN AMERICA SOCIETY

OF ST. LOUIS, INC.

PURPOSE

The Japan America Society of St. Louis is a non-profit, non-political organization consisting of individuals and corporations dedicated to strengthening ties and improving mutual understanding between the peoples of Japan and the United States. Through its various activities, the Society strives to enhance cultural, economic, and governmental relations between the two nations.

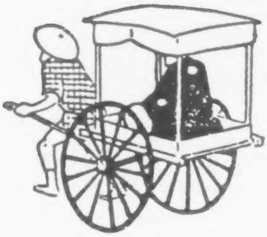
HISTORY

The Society in St. Louis was organized in 1967 under the leadership of Mr. Carl L.A. Beckers, a banker now retired who has served since 1967 as Honorary Consul General of Japan in St. Louis, and Paul Maruyama, a St. Louis businessman born in Japan. Over the years, the Society has enjoyed growing support from business and financial institutions, local universities and colleges, and many interested individuals of both American and Japanese heritage. Founded in 1980, the Women's Association has provided specialized programs for ladies and has collaborated in many of the Society activities.

Many distinguished St. Louisans have served as directors of the Society over the years, including such notables as Duncan Bauman, John Barriger, Maurice Chambers, Hector Dominquez, Ben Jackson, Senator John Joynt, J.S. and Stanford McDonnell, George McMillen, Frederic Pierce, and Howard Stamper. Of the original board of directors elected in 1967, the following are still serving: Carl Beckers, George Capps, George Hasegawa, Paul Maruyama, and Gyo Obata.

Presidents of the Society:

Carl L.A. Beckers	1967-1969
Carl R. Lovitt	1970
John W. Barriger	1970-1971
Shea Smith III	1971-1973
Calvin H. East	1973-1976
Dr. Peter H. Raven	1976-1978
Whitney R. Harris	1978-1980
George B. Sloan	1980-1982
George A. Newton	1982-1985
Gary L. O'Banion	1985-



Until 1983 programs and activities were successfully organized with volunteer leadership and a modest budget, the main source of revenue being membership dues averaging less than $5,000 annually. During 1982, it was recognized that potential existed for new and expanded activities, increased funding and the establishment of a small professional organization.

In February 1983, after a six-month evaluation of long-range possibilities, a grant application was made to the Japan-United States Friendship Commission for $95,000 to be spread over three years beginning October 1, 1983. That application was approved by the Friendship Commission in April 1983 and the first installment of $25,000 was received in October 1983. The Society office in Clayton was opened on October 1st with Chad MacIlvaine as the first Executive Director and Dr. Peggy Adeboi as a part-time assistant. In October 1984, Dr. Adeboi was appointed Associate Director on a full time basis.

JAPAN-UNITED STATES FRIENDSHIP COMMISSION

The Friendship Commission was established by act of United States Congress in 1975. The purpose of the organization is:

> "To aid education and culture at the highest level in order to enhance reciprocal people-to-people understanding and to support the close friendship and mutuality of interests between United States and Japan."

日米友好基金

ASSOCIATED JAPAN-AMERICA SOCIETIES OF THE UNITED STATES (AJAS)

AJAS was formed August 1, 1979 to provide a cooperative framework among Japan-America Societies which would strengthen independent societies. On behalf of the societies, the Association organizes extensive tours of outstanding Japanese and American speakers and performing artists; negotiates contracts; recruits and trains personnel; assists in organizing conferences; provides information on the availability of printed materials, exhibitions and films.

In addition to the AJAS newsletter, societies are provided with a weekly news clipping service taken from major Japanese and American newspapers. National planning has made it possible for the Association to provide new resources to individual societies, both new and old. The headquarters is located at the Japan Society, Inc. in New York City.

Vernon Alden, President of the Boston Society, serves as Chairman of AJAS and Virginia Petree has been Executive Director from the inception.

As of November 1985, there were eighteen Society-members of the Association:

Boston
Chicago
Dallas
Georgia
Honolulu
Houston
Maine
Minnesota
New York
Northern California
Oregon
Phoenix
St. Louis
Southern California
South Florida
Vermont
Washington (State)
Washington, D.C.

MEMBERSHIP

Membership in the Society is open to all individuals, corporations, and other organizations interested in Japan and Japan-U.S. relations. Benefits include:

°Admission at reduced rates to exhibitions, lectures, films, conferences, and performing arts events.

°Receipt of the Society's periodic newsletter, other special reports and news releases.

°Use of the new JAS library operated in conjunction with the United Nations Association at their Greater St. Louis Chapter office, 7359 Forsyth Blvd. (Open January 1986)

°Opportunities to meet and know distinguished Japanese and American leaders, educators, and professionals dedicated to improving Japan-U.S. relations.

Following is a listing of corporate members as of November 1985:

Anheuser-Busch Int'l, Inc.
Alumax Foils Inc.
American Soybean Assn.
Arthur Andersen & Co.
Biokyowa Inc.
The Boatman's National Bank
Burlington Northern Inc.
Centerre Bank
Citicorp USA, Inc.
Community Federal Savings
CTX Division, Pet Inc.
Deloitte Haskins & Sells
A. G. Edwards & Sons, Inc.
Emerson Electric Co.
General Dynamics
Granite City Steel
Granplex, Inc.
Inter-Global Inc.
Japan Air Lines
Koken Mfg, Co., Inc.
KV Pharmaceuticl Co.
Loose Leaf Metals Co.
Mallinckrodt, Inc.
Maritz, Inc.
Marubeni America Corp.
Mercantile Trust Co.
McDonnell Douglas Corp.
Mitsubishi Int'l Corp.
Monsanto Company
NERCO Coal Corp.
Nissho Iwai America Corp.
Peabody Coal Co.
Price Waterhouse
Ralston Purina Co.
The Seven-Up Company
Southwestern Bell
Thompson & Mitchell
Touche Ross & Co.
Transcontinental Financial & Trading Corp.
Universal Carriers, Inc.
Watlow Electric Mfg. Co.

PROGRAMS AND ACTIVITIES

Programs of the Society fall into three broad categories:

Cultural/Educational
Business/Trade/Government
Social

Whenever appropriate, cosponsorship with other St. Louis organizations is sought in order to reach the widest possible audience. Following are highlights of activities since the Society opened the Clayton office in October 1983 and through 1985:

1983	
Oct. 10	°Kurosawa Koto Ensemble concert at Ridgway Center - cosponsored by the Asian Art Society and Missouri Botanical Garden.
Nov.9	Annual Meeting & Dinner at Ridgway Center, featuring The Honorable Robert S. Ingersoll, former U.S. Ambassador to Japan.
15	°Hiroshi Watanabe, architect and architectural critic - slide lecture cosponsored with School of Architecture, Washington University.
30	°William Givens & Thomas Pepper - debate on free trade vs. protectionism cosponsored with Missouri Export Council and World Trade Club.
1984	
Feb. 2	°Albert Seligman, executive director, US-Japan Advisory Commission - luncheon report on progress by Commission.
Mar. 8	Dr. Dean Eckert, Lindenwood College - slide lecture "Japanese Gardens & Architecture in Perspective" cosponsored with World Affairs Council.
11	Surimono Print Exhibit - gallery talk and reception at Washington University Gallery of Art cosponsored with The Asian Art Society and Gallery.
25	"Sasameyuki" - feature film at Emerson Electric Auditorium cosponsored with the Consulate General of Japan, Kansas City.
Apr. 8	Introduction of "Pilot Cultural Series" which ran from April 26 through May 21, featuring lectures/demonstrations on archeology, Japanese language, music, martial arts, literature, and woodblock printmaking.
19	°Dr. George Kenney - breakfast presentation "High Technology and its Foundation: Competition with Japan."
May 15	Robert Angel, President of the Japan Economic Institute of America - luncheon presentation "Economic Relations with Japan: We Need a New Approach!"
18	George Fields, market research executive - luncheon slide presentation "From Bonsai to Levis" cosponsored with World Affairs Council.
24	Dinner honoring Ambassador and Mrs. Okawara at St. Louis Club.
June 16	Japanese Festival at Missouri Botanical Garden - through June 24.
26	Gallery lecture by Martha McClintock at Saint Louis Art Museum.
July 1	Salute to USA BBQ Picnic at Laumeier Park cosponsored with the Women's Association
Sept. 7	°Jackson Huddleston, Jr., financial consultant - breakfast presentation "Operating an American Company Successfully in Japan."
26	Third annual JAS golf tournament at Meadowbrook Country Club.
Oct. 12	Reception and dinner celebrating 10th anniversary of Suwa-St. Louis Sister-City relationship at Noonday Club.
13	Missouri Concert Ballet - gala benefit performance honoring Suwa and in memory of Yeichi Nimura.

1984

Nov. 8 Annual Meeting & Dinner at Ridgway Center, featuring John E. Thayer, III, Vice President, Director and Program Chairman of Japan Society of Boston.

20 Arthur Towata Exhibit of Ceramics and Watercolors at Ridgway Center - to benefit Children's Choirs 1985 concert tour to Japan - through Dec. 2.

27 °Lawrence F. Snowden, Lt. General, USMC (ret.) and Vice President, Far East Area, Hughes Aircraft International - breakfast presentation "Japan and the United States: A Relationship Undergoing Change."

1985

Feb. 6 Opening of second Cultural Series of seven lectures and demonstrations covering stone & earthenware, history, martial arts, Shinto architecture, Bunraku, art and Noh.

25 °Dr. Stuart D.B. Picken, Dean of Humanities, International Christian University, Tokyo - lecture "The Japanese Value System in Relation to Business and Society."

Mar. 8 Dr. Peggy Adeboi, Associate Director JAS - lecture "The Spirit of Rimpa in Kayama Matazo," cosponsored by The Asian Art Society.

12 °Dick Wilson, journalist & author - breakfast presentation "Japan Rediscovers Herself."

Apr. 3 °Carl J. Green, Washington D.C. attorney - breakfast lecture "High Technology Trade Competition and the U.S.-Japan Relationship."

25 °Jennie Hutchings - slide lecture about weaving and dyeing cosponsored by The Asian Art Society.

May 10 °Robert M. Immerman, Minister-Counselor, U.S. State Department - breakfast talk "Behind the Headlines: What's at Stake in the Japan-U.S. Trade Dispute?"

17 Weekend-in-Boston Tour hosted by Japan Society of Boston.

30 Dr. Dorothy Robins-Mowry, author and diplomat - lecture "The Hidden Sun" cosponsored by the World Affairs Council.

June 5 Thomas T. Yamakawa, Partner, Price Waterhouse - lecture and panel discussion "Japan: A New Frontier for American Business."

15 Japanese Festival at Missouri Botanical Garden - through June 23.

23 Joruri - picnic and theatre party - closing performance of Minoru Miki's and Colin Graham's new opera at Loretto Hilton.

July 24 St. Louis Children's Choir Concert Tour to Japan - Tokyo, Kyoto, and Suwa through August 3.

Sep. 3 Opening of Ann Lehman's exhibit of woodblock prints and drawings at Lindenwood College - through September 26.

11 Fourth annnual JAS Golf Tournament at Meadowbrook Country Club.

Oct. 28 Dave Lowry, author and swordsman - lecture/demonstration "The Samurai in the Atomic Age."

30 Dr. Robert Oxnam, President, Asia Society - dinner lecture "The Emerging Pacific Century: What Does It Mean for Americans?," cosponsored by World Affairs Council, The Asian Art Society, and Missouri China Council.

Nov. 6 Paul H. Aron, Vice Chairman Daiwa Securities America - luncheon presentation "Investing in Japanese Securities," cosponsored by The St. Louis Society of Financial Analysts.

14 Annual Meeting and Dinner at Ridgway Center featuring St. Louis Children's Choir.

Dec. 2 David Hoech, consultant, & Dr. John Walsh, Professor, Washington Univ. - breakfast presentation "Japanese Productivity: A Blend of Automation and Common Sense."

17 Masaru Yamamoto, General Manager, Biokyowa of St. Louis - breakfast talk "Biokyowa and Missouri."

°Arranged in cooperation with Associated Japan-America Societies of the United States, Inc.

Mr. SMITH. How much are you receiving in Friendship Commission funding, and how much of the total budget does that represent?

Mr. MACILVAINE. The program started about three years ago with a grant approval that gave us a first year funding of $45,000. There was then a second year grant of $30,000. And we just received within the last month the final $20,000, for a total of $95,000 over three years, which enables the opening of the office and the establishment of an executive director, which there had not been before.

The buildup of corporate support will now carry on a full budget running at over $60,000 a year, without any further support from the Friendship Commission, so this was money that has got us up and running, and now it will stand on its own feet.

Mr. SMITH. I thought you said you needed continued funding.

Mr. MACILVAINE. I am speaking here in a general sense.

Mr. SMITH. You mean for others?

Mr. MACILVAINE. For others, and for this kind of activity, yes. There are many cities that need this that we have in St. Louis.

Mr. SMITH. Thank you.

Mr. Dwyer.

Mr. DWYER. No questions.

Mr. SMITH. Thank you very much.

Mr. MACILVAINE. You are welcome.

MONDAY, MARCH 3, 1986.

JAPAN-U.S. FRIENDSHIP COMMISSION

WITNESS

CARL SANDERS, TROUTMAN, SANDES, LOCKERMAN & ASHMORE

Mr. SMITH. Carl Sanders.

Mr. SANDERS. Mr. Chairman and members of the committee, I appear here also in support of the Friendship Commission. I am now chief partner of a law firm in Atlanta, and I am chairman of the board of the Japan-America Society of Georgia.

I am appearing here in that latter capacity.

Following World War II, in which I served, and I am sure perhaps the chairman or other members of the committee served, most Americans had very little knowledge or interest in Japan.

The wartime experience left many of our people with some residue of hostility. We were fortunate, however, that in Georgia we had a few multinational firms, and they were headquartered there, and as a result we were successful in entering and competing in the Japanese market immediately after the war; one, for instance, being Coca Cola.

In the 1960s, when I was governor of the State of Georgia, the management of some of these companies asked me to take a trip to Japan. I visited with some of the Japanese officials. I got acquainted with the prefecture known as Kagoshima, and I agreed to establish a sister state relationship between the State of Georgia and the Prefecture of Kagoshima.

In the fall of 1965, I went over there. I was impressed with their governor, and we finalized that relationship in 1966, and it has prospered since.

We have trade missions. We have faculties. We have the University of Kagoshima, the University of Georgia. We have all types of exchanges between the two states.

In the mid-1970's we had a great deal of interest by some of our trade missions and by our governor at that time, and today we have got approximately 160 Japanese companies, including eight banks that have some types of operations in Georgia.

They provide more than 7,000 jobs to Georgians, and they represent investments of about $481 million.

Now, the Japanese-America Society was founded in my state in 1980, with a full-time secretary and a part-time director who was an academic dean out at a small university known as Ogelthorpe.

In 1982, we received a grant of $25,000 from the U.S. Japan Friendship Commission and a commitment of similar grants of $25,000 a year for two years.

It was at that point that I was asked to become chairman of the society, and I accepted.

As I saw it at the time, the Japanese America Society of Georgia faced some rather severe challenges. We needed a full-time executive director so that we could expand the base that we had through an expanded corporate membership.

We needed to use our limited resources to focus on a few activities that would provide the people of Georgia with an understanding of contemporary Japan and curtail some of the random activities that had been pursued in the past.

And thirdly, we needed to establish the society as an organization with a serious purpose and a first class capability of performance.

In 1983, we went out and hired a retired Coca Cola executive who had lived in the country of Japan and set up that business.

We moved our office into the commercial district, and we more closely identified the society with the business community and the potential companies in the state.

We then reorganized the society. We expanded the board, and we proceeded into some different types of programs.

I have provided you and the members of the committee with the organizational structure, the mission of the society, copies of our directory. All of that information you have.

I want to conclude with just a couple of matters now in carrying out the primary mission of learning about contemporary Japan and Japanese.

We are a regional organization, and our concerns are not so much with the macroeconomics or the national policies as with the nature of our Japanese competitors in a global market.

We believe the role of our society should be in stimulating the interests of our young school children in the Japanese people and of our high school students and some basic knowledge about some Japanese history, tradition, culture, and how the Japanese society is organized and relates to our American society.

In short, we are an organization that operates at the grassroots level of American society.

I hope that in the future, that we can sponsor Japanese study programs at our colleges and universities, as well as fine Japanese art exhibits at many of the art museums in our state.

For the present, however, we are gearing our activities to reflect both the level and the interest and the understanding of the people of Georgia and the limited resources of our society.

I simply want to say that the importance of these grants made to our society by the Japan-U.S. Friendship Commission cannot be overstated.

Without the grants for administrative support for the past three years, our society would not exist today. It was that grant that made it possible for us to go and get a full time director, and it proved to be the catalyst for building the solid organization that we have.

Yes, we probably could survive, but just barely, without any future grants from the Friendship Commission.

I submit, however, that one of the greatest bargains that the U.S. Congress and the American people have bought in my state in the past three years is the $95,000 that they have invested in the Japan-American Society of Georgia.

[The statement of Carl E. Sanders follows:]

BEFORE THE
HOUSE APPROPRIATIONS SUBCOMMITTEE
ON COMMERCE, JUSTICE, STATE, AND JUDICIARY

Testimony by Carl E. Sanders on behalf of the Japan-United States Friendship Commission

---

Carl E. Sanders, Chairman
Japan-America Society of Georgia
1400 Candler Building
Atlanta, Georgia 30043

March 3, 1986

TESTIMONY BY CARL E. SANDERS BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE AND JUDICIARY

MARCH 3, 1986

Mr. Chairman. Members of the Committee.

My name is Carl E. Sanders. I am chief partner in the law firm of Troutman, Sanders, Lockerman & Ashmore, and Chairman of the Board of the Japan-American Society of Georgia, and am appearing here today in my latter capacity.

I have divided my remarks in two parts - the first part covering the history, policy and organization of our Society; and, in the second part, the way that policy is being implemented.

The people of Georgia, like most Americans, had very little knowledge of, or interest in Japan or its people prior to World War II. That wartime experience left many of our people with some residue of hostility. We were fortunate, however, in that we had a few multi-national firms headquartered in Georgia, the most famous of which was and is The Coca-Cola Company, which were successful in entering and competing in the Japanese market immediately after the war. By the sixties, when I was Governor of the State of Georgia, the managements of these companies were asking me to visit Japan and in 1965 I did so. I was impressed and, in discussion with the Governor of Kagoshima Prefecture found that the people of our two states had much in common. As a result, we established a sister-state relationship that has prospered.

In the mid-seventies, interest by Georgians in Japan was stimulated by a Japanese trade mission and the interest of our then Governor George Busbee, in promoting investments in Georgia. Today, there are approximately 160 Japanese companies including, 8 Japanese banks that have some type of operation in Georgia. These Japanese companies provide more than 7,000 jobs to Georgians and represent investments totalling $481 million dollars.

Early in 1980, a group of Georgians, largely businessmen and academics, all of whom were members of the Japan Society of New York decided that a similar type of Georgia organization could be supported. In 1980 The Japan-American Society of Georgia was founded. An office with a full-time secretary was established and Dr. George Waldner, a Japanese scholar and academic dean at Oglethorpe University was named as part-time Executive Director. In 1982 our Society received a grant of $25,000 from the U.S.-Japan Friendship Commission with a commitment of similar grants of $25,000 for an additional two years.

It was at this point that I was asked to become Chairman of our Society and did so. As I saw it at the time, the Society faced some severe challenges. These were to:

- Hire a full-time executive director who could establish a sound financial base for the Society through an expanding corporate membership;

- Curtail some of the random activities of the Society and use the limited resources of the Society to focus on a few activities that would begin to provide the people of Georgia with an understanding of contemporary Japan;
- Establish the Society as an organization with a serious purpose and first class capabilities for performance.

In April of 1983 our Society hired Bob Broadwater, a retired senior executive of The Coca-Cola Company to become our Executive Director. We moved our offices into the financial district of Atlanta in order to more closely identify the Society with our business community and potential corporate membership. We also found that we had to reorganize the Society, expand the board to accommodate an expanding corporate membership, make the Executive Committee the governing body of the Society, and establish a standing committee structure that would involve a maximum number of the leaders of our state in active participation in the affairs of the Society.

The organization chart for our Society is shown as Figure 1. I am also making available to you copies of the memorandum of June, 1985 from Mr. James Balloun, Managing Director of McKinsey & Company's Atlanta office and Chairman of our Finance Committee.

JAPAN-AMERICA SOCIETY OF GEORGIA

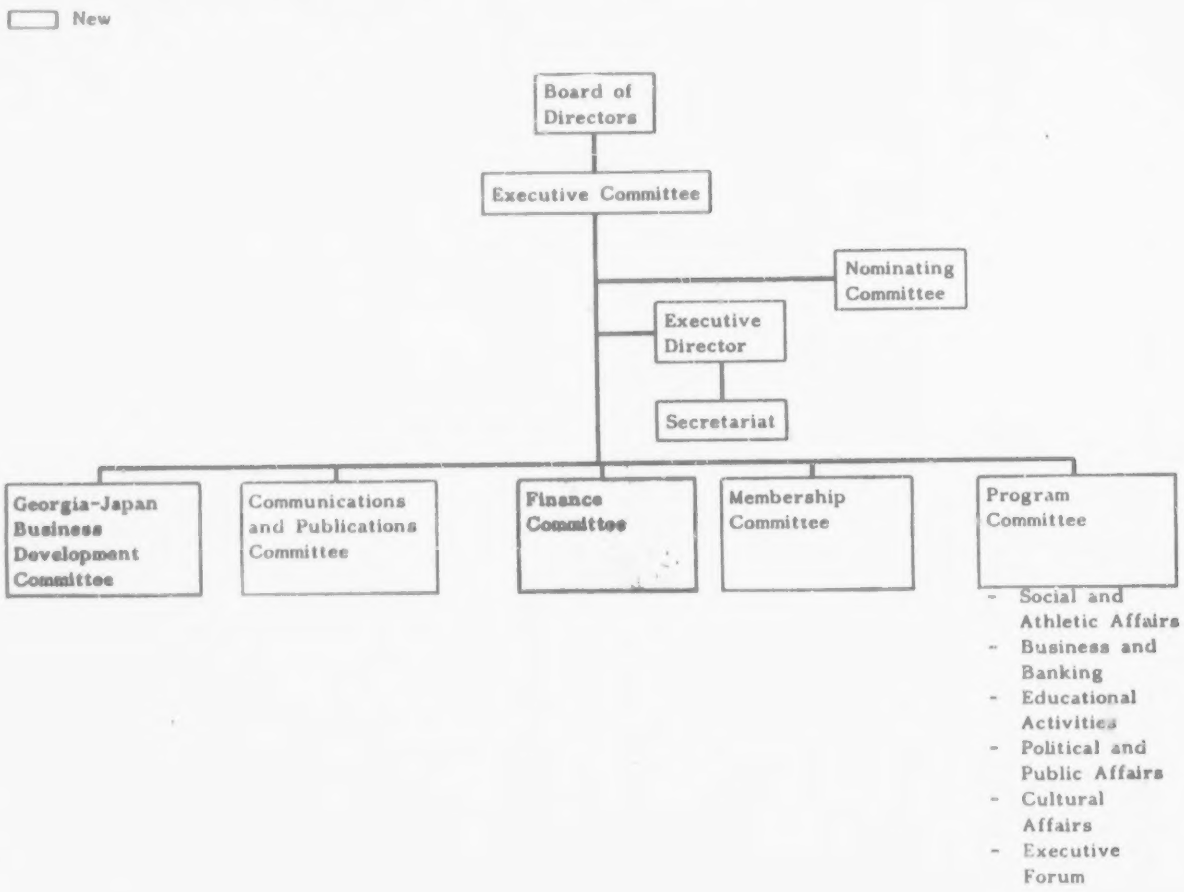

New
Board of Directors
Executive Committee
Nominating Committee
Executive Director
Secretariat
Georgia-Japan Business Development Committee
Communications and Publications Committee
Finance Committee
Membership Committee
Program Committee
- Social and Athletic Affairs
- Business and Banking
- Educational Activities
- Political and Public Affairs
- Cultural Affairs
- Executive Forum

FIGURE 1.

That memorandum includes the referenced organization chart and the mission statement for each of the committees.

A measure of the current strength of our Society is reflected in the roster of the membership of our committees. I've mentioned Mr. Balloun. Mr. Don Sands, President and Chief Operating Officer of Gold Kist is Chairman of our Business Development Committee. (Gold Kist is a large agricultural commodities trader). Former Governor George Busbee is a member of that committee as are Mr. John Levergood, President of Scientific Atlanta; Mike Inoue, General Manager of Mitsubi Internationals' Atlanta office; and, George Parks, Dean of Business Administration at Emory University. I am providing copies of our 1985-86 Directory which provides detail information on our committee memberships.

I now want to turn from matters relating to policy, strategy, and structure to those concerned with carrying out our primary mission of learning about contemporary Japan and the Japanese. We are a regional organization and our concerns are not so much with macro-economics and national policy as with the nature of our Japanese competitors in a global market. We believe the role of our Society should be in stimulating the interest of our young school children in the Japanese people and of our high school students in some basic knowledge about Japanese history, traditional culture, and on how Japanese society is organized and relates to our American society in a contemporary world. In short, we are an organization that operates at the grass roots level of American society.

We hope that at some time in the future we can sponsor Japanese studies programs at our great colleges and universities and fine Japanese art exhibits at the many fine art museums in our state. For the present, however, we must gear our activities to reflect both the level of interest and understanding of the people of Georgia and the limited resources of our Society. That requires careful planning by someone or some group with both knowledge of our community and of Japanese society. That is the function of our Executive Director and of our Secretariat. To assist this group, our Executive Committee has established these programing guidelines:

- Speakers on the Japan/U.S. relationship in finance, trade, science and technology.
    - Must have hands-on experience with these matters and be prepared to speak on specific topics.

- Speakers on the political structure and practices in either the U.S. or Japan and the interaction of political issues in the two countries.
    - Must be current or past practitioners or trained observers, i.e., journalists, writers, or scholars of repute. In those cases when the program raises issues held in contention by Japan and the U.S., speakers will be chosen from Japan and the U.S. so that a balanced and fair presentation is made.

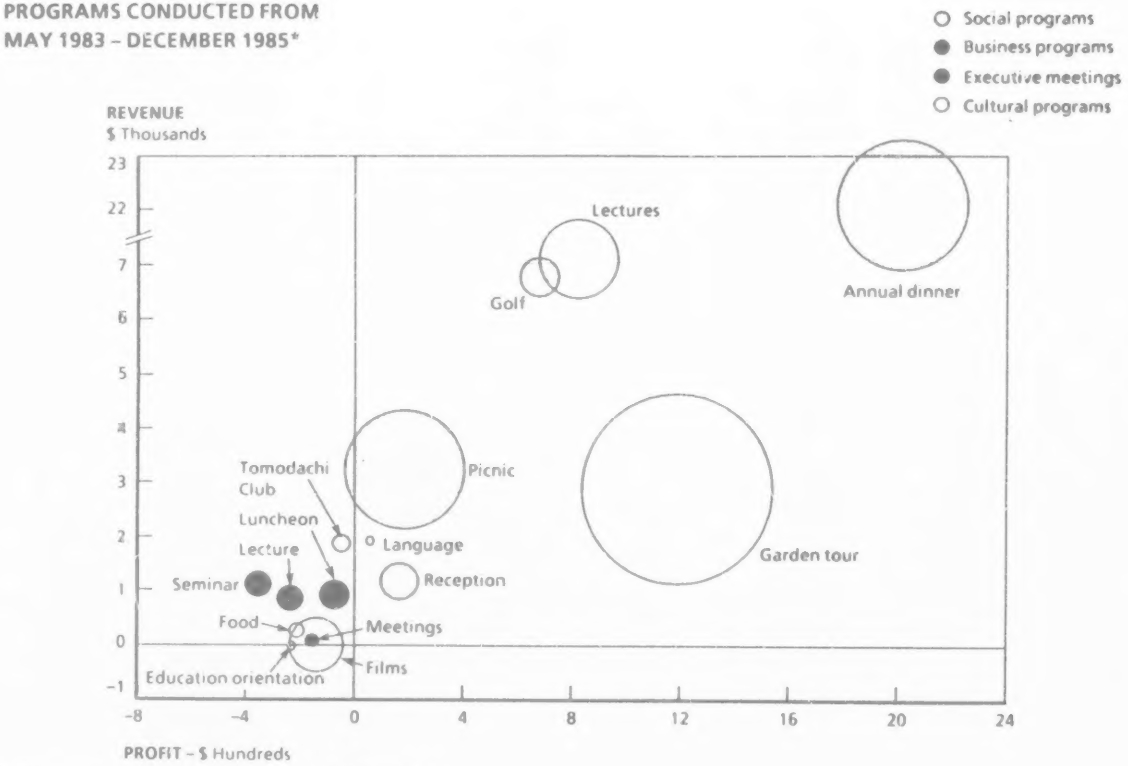
- Programs dealing with Japanese aesthetics, ethics, religion, art and handicrafts require very special care in selection. These factors must be considered:
    - The size of the target audience and the importance of this audience to the JASG.
    - Will this program promote understanding of Japanese values and how their art, history, religion and ethics are related to their Oriental heritage and their accommodation with the West?

> Can the JASG make reasonable estimates of program costs and revenues so that unexpected program deficits can be avoided?

The results of the JASG program and activities planning is reflected in Figure 2. This graphical presentation of program and activities from May 1983 to December 1985 was prepared by McKinsey & Company in connection with their study of the long range dues and funding requirements for the Society. Copies of the complete study are available to this committee.

The subject of our Society's limited financial resources and future requirements has been referred to previously. The above-referenced McKinsey Study Figure 3 reflects the source and allocation of funds for the fiscal year ending July 31, 1985, and McKinsey's analysis of changes in revenues and expenses in 1986-1988 are shown in Figure 4. The direct grants from the Japan-U.S. Friendship Commission are reflected in Figures 3-5 but do not reflect some indirect grants received via the Associated Japan-American Societies for travel for speakers for certain programs. The importance of the Friendship Commission Grants to the present strength of our Society could not possibly be reflected in any graph/nor can their importance be overstated in my remarks here today.

FIGURE 2.



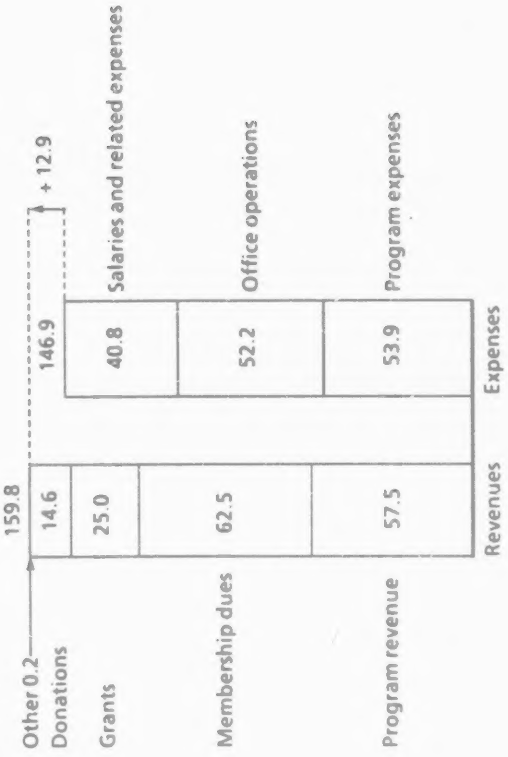
PROGRAMS CONDUCTED FROM MAY 1983 – DECEMBER 1985*

* Three programs not included because of lack of data

Note: Area of circle is proportional to attendance

Source: Project files; detailed program records

REVENUES AND EXPENSES – FY 85
$ Thousands

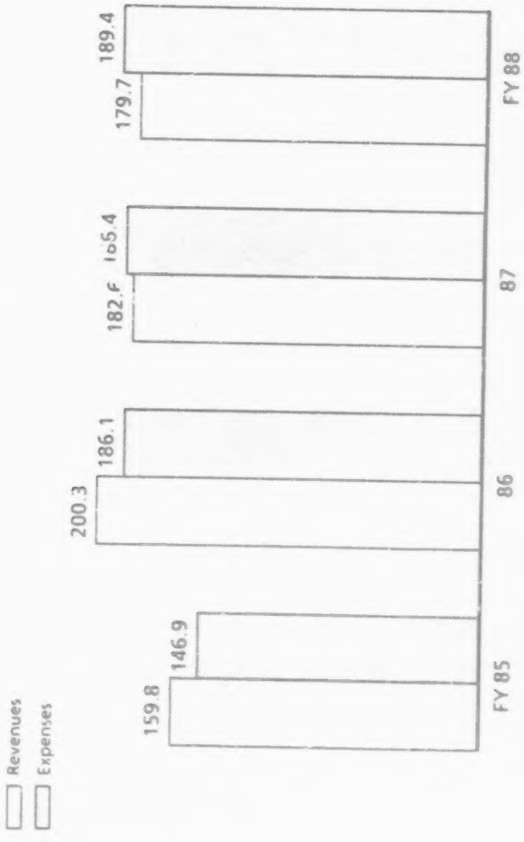


Source: JASG FY 85 annual report; JASG ledger

FIGURE 3.

REVENUES AND EXPENSES – FY 85-88

$ Thousands



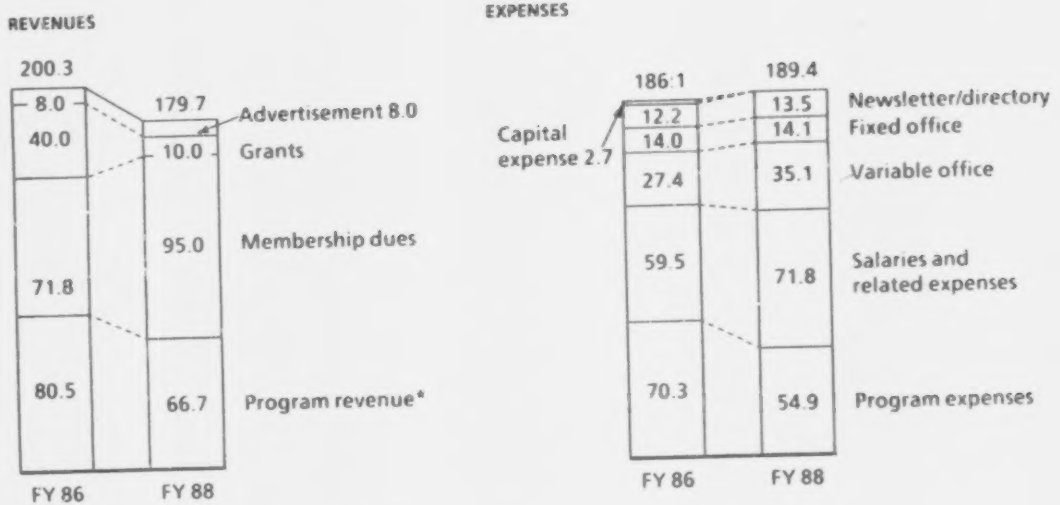
Source JASG FY 85 annual report; McKinsey analysis

FIGURE 4.

FIGURE 5.

CHANGES IN REVENUES AND EXPENSES – FY 86-88

$ Thousands



* Includes $20,000 F.C. education grant in FY 86

Source: McKinsey analysis

I can state categorically that without the $25,000 grant for administrative support for the past 3 years our Society would not exist today. It was that grant that made it possible for us to hire a full time executive director and that proved to be the catalyst for building the solid organization we have today. I am confident that our Society could survive, but just barely, without further grants from the Friendship Commission. I submit, however, that one of the greatest bargains that the U.S. Congress and the American people have bought in the past 3 years is the $95,000 they have invested in the Japan-America Society of Georgia. Without additional funding from the Friendship Commission, however, the following ongoing activities of our Society must be eliminated or severely curtained:

- Our very fine Newsletter and Annual Directory, copies are being left with you, must be eliminated. These provide both an impressive image of our Society and an effective communication medium for informing our membership and the community at large about Japan affairs relevant to Georgia.
- The much praised Japan-in-Georgia Schools Program which is well underway with a $20,000 grant from the Friendship Commission will be dropped and the lesson outlines that have been developed to date will not be put in place in Georgia's schools.

Business seminars of the type outlined in the attached program concept "Japan-United States Competition In The World Economy - The Role Of Increasing Productivity", will be eliminated.

I strongly urge this committee to recommend to the Congress to budget the funds requested by the U.S.-Japan Friendship Commission so that they can continue to make funding available to the Japan-American Society of Georgia and to other similar societies throughout the United States.

I sincerely thank you for your time and I welcome your questions.

THE JAPAN AMERICA SOCIETY OF GEORGIA

Directory 1985-86

It is good to know something of the customs of different people in order to judge more sanely of our own, and not to think everything of a fashion not ours is absurd and contrary to reason . . . ."

René Descartes

GRANTS:

1983-84:	$25,000
1984-85:	$25,000
1985-86:	$45,000
Administration:	$25,000
Education:	$20,000

On October 7, 1982 the Japan-United States Friendship Commission signed a Grant Agreement with The Japan-America Society of Georgia, Inc. The purpose of that agreement was to assist the Society in the expansion of its programs and its fund raising capacity.

The Japan-America Society of Georgia, Inc.

1985-86 Directory

Editor: Sara C. Englade

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The Japan-America Society of Georgia, Inc.

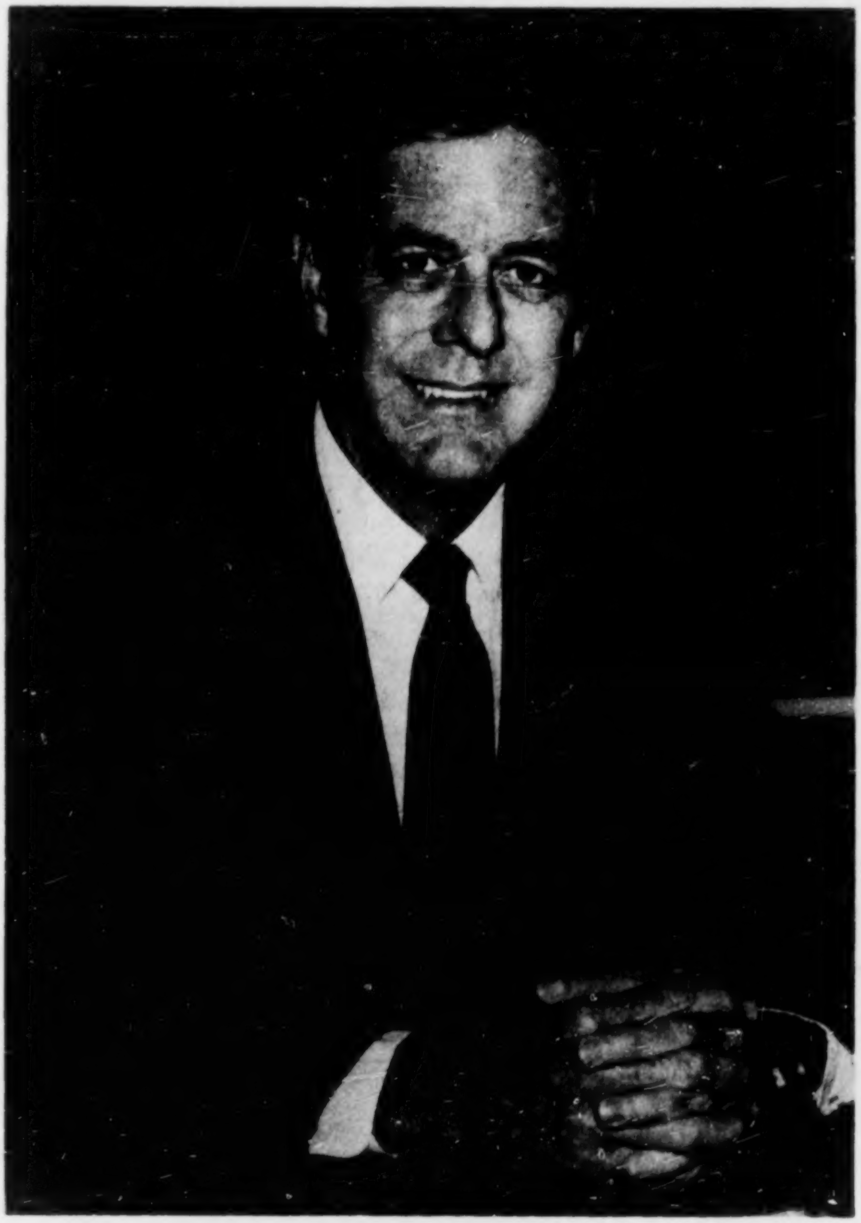
OBJECTIVE: The objectives of The Japan-America Society of Georgia, Inc. are two-fold:

- Enhance Georgians' knowledge of the arts, industry, culture, political and social system of Japan.
- Provide Japanese guests, who are working and residing in Georgia, an opportunity to meet and associate with Georgians on a personal basis.

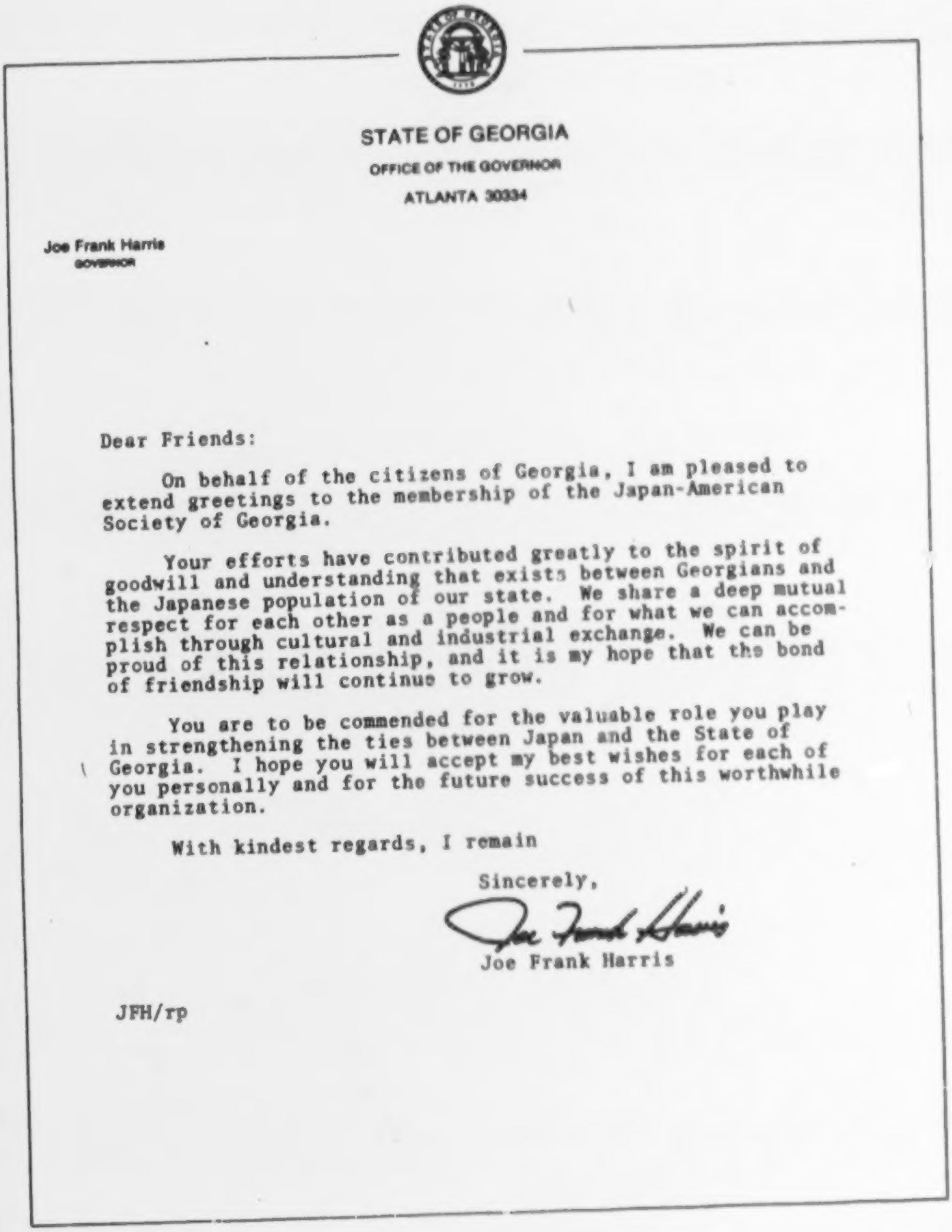
GOAL:

- To strive to make Georgia a better place to live and work.

HONORARY CHAIRMAN



THE HONORABLE
JOE FRANK HARRIS
GOVERNOR OF GEORGIA



STATE OF GEORGIA
OFFICE OF THE GOVERNOR
ATLANTA 30334

Joe Frank Harris
GOVERNOR

Dear Friends:

On behalf of the citizens of Georgia, I am pleased to extend greetings to the membership of the Japan-American Society of Georgia.

Your efforts have contributed greatly to the spirit of goodwill and understanding that exists between Georgians and the Japanese population of our state. We share a deep mutual respect for each other as a people and for what we can accomplish through cultural and industrial exchange. We can be proud of this relationship, and it is my hope that the bond of friendship will continue to grow.

You are to be commended for the valuable role you play in strengthening the ties between Japan and the State of Georgia. I hope you will accept my best wishes for each of you personally and for the future success of this worthwhile organization.

With kindest regards, I remain

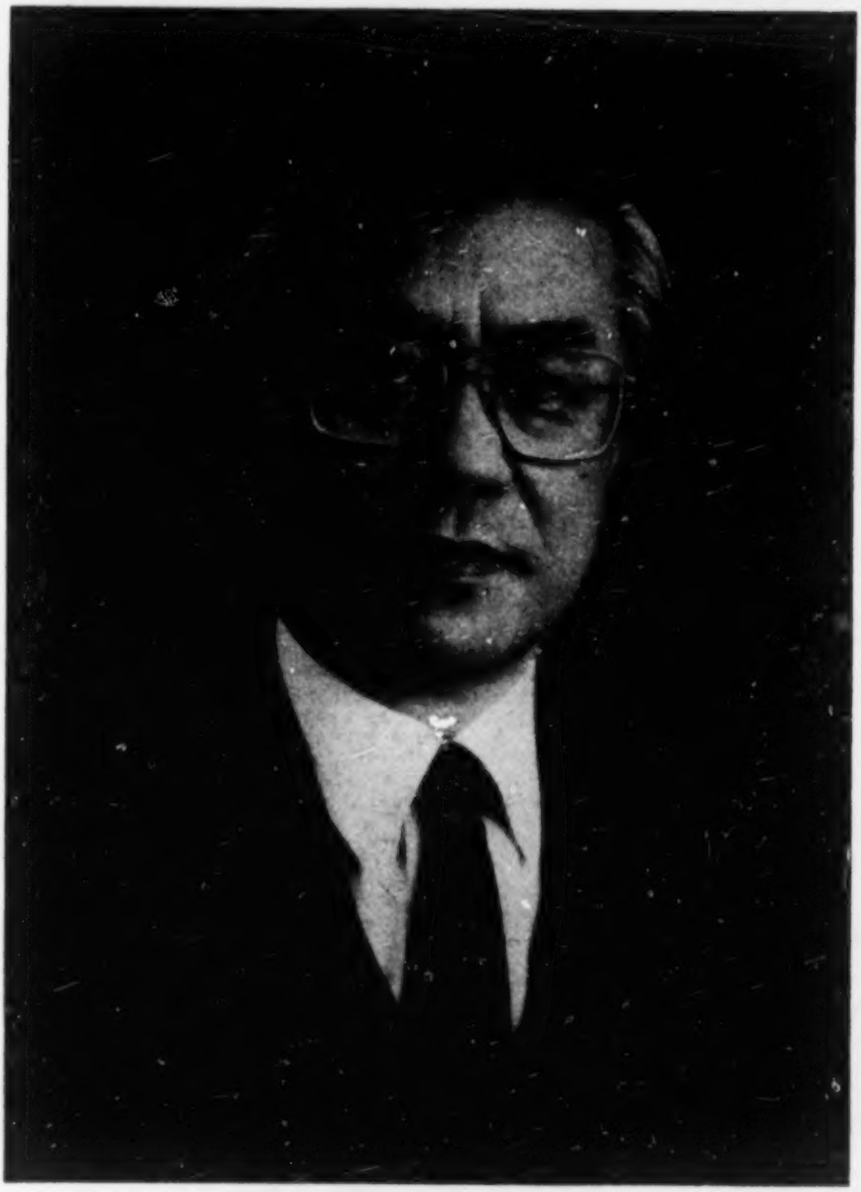
Sincerely,

Joe Frank Harris

Joe Frank Harris

JFH/rp

HONORARY CHAIRMAN



THE HONORABLE
TADAYUKI NONOYAMA
CONSUL GENERAL OF JAPAN
IN ATLANTA

CONSUL GENERAL OF JAPAN
365 BLACKLAND ROAD, N.W.
ATLANTA, GEORGIA 30342

Dear Friends,

In my capacities as Honorary Chairman of the Japan-America Society of Georgia and as the official representative of Japan in the Southeastern United States, it is an honor and a pleasure for me to extend greetings to the officers and members of this most worthwhile organization in the latest edition of its membership directory.

As relations between Japan and Georgia have grown, so also has The Japan-America Society of Georgia, to a point where it is now looked to by both Japanese and Georgians as a fulcrum point for friendship and understanding between our two countries. Formally established in 1980, the Society epitomizes a central aspect of the American genius--the continual formation by private individuals of private, non-governmental societies and organizations dedicated to the stimulation and articulation of America's ever-inquisitive and entrepreneurial spirit.

The Society holds out a hand of friendship and cooperation to all Japanese who come to Georgia, and contributes to the broadening and deepening among the people of Georgia of knowledge about Japan. From seminars on Japanese-American political and economic issues to cultural and educational activities, the Society's approach is a multifaceted and creative one. We in the office of the Consulate General of Japan in Atlanta, and, I am sure, all the members of the Japanese community in Georgia are very happy to have such a friend to work together with as the Society.

In this sixth year of the Society's existence, I would like to express my heartfelt appreciation to Governor Sanders; other members of the Society's Executive Committee, past and present; the Society's staff; and the Society's distinguished membership for all that you have done and are doing towards fulfilling our mutual goal of bettering relations between our countries.

Sincerely,

T. Nonoyama

Takayuki Nonoyama
Consul General

THE HONORABLE
CARL E. SANDERS
CHAIRMAN

EXECUTIVE OFFICERS

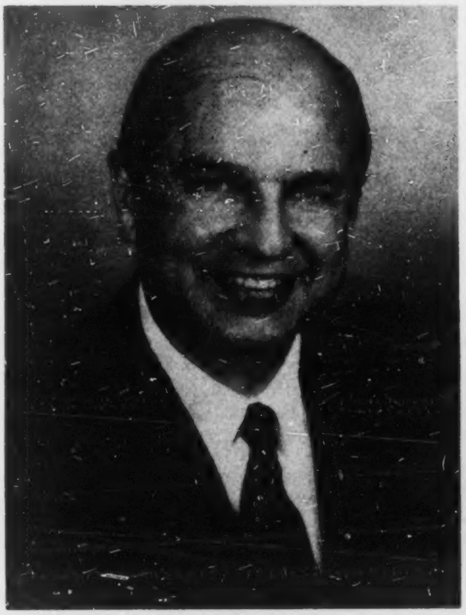
MR. ROBERT HARLIN
FIRST VICE CHAIRMAN

MR. MASAYASU (MIKE) INOUE
SECOND VICE CHAIRMAN

MR. JOSEPH R. WHITE
SECRETARY

MR. JERRY LICARI
TREASURER

MR. ALLEN JUDD
MEMBER

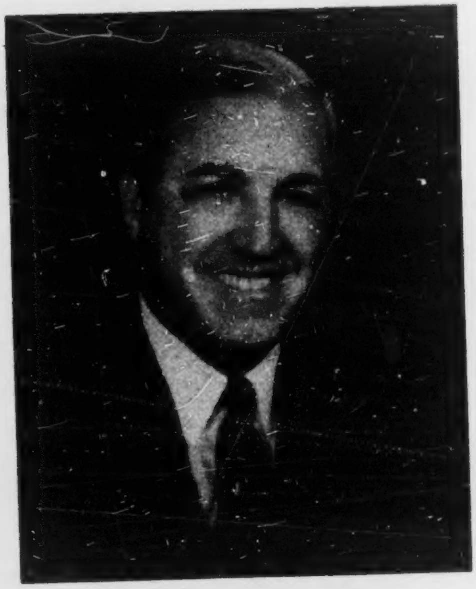


MR. JAMES BALLOUN
CHAIRMAN
FINANCE COMMITTEE

MR. JAMES LIENTZ
CHAIRMAN
MEMBERSHIP COMMITTEE

MR. RICHARD MATTHEWS
CHAIRMAN
COMMUNICATIONS &
PUBLICATIONS

MR. PHILIP C. PRESTON
CHAIRMAN
PROGRAM COMMITTEE



MR. DON SANDS
CHAIRMAN
BUSINESS DEVELOPMENT
COMMITTEE

DR. GEORGE WALDNER
CHAIRMAN
NOMINATING COMMITTEE

SUPPORT STAFF

MRS. SARA C. ENGLADE
ACTING EXECUTIVE DIRECTOR

MR. ROBERT J. BROADWATER
SENIOR ADVISOR

MRS. SUE M. HANES
ADMINISTRATIVE ASSISTANT

MRS. CAROL REYNOLDS
EDITOR
JASG NEWSLETTER

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Governor Carl E. Sanders, Chairman

Mr. Hiro Araki
The Honorable Marvin Arrington
Mr. Tetsuro Asuke
Mr. James S. Balloun
Mr. N. William Bath
Mr. Donald L. Batson
Mr. Leo Benatar
The Honorable George Berry
Mr. Robert J. Broadwater
Governor George Busbee
Mr. Rand Castile
Mr. Vincent Cater
Mr. Fred Chanoki
Mr. H. Cartan Clarke
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Mr. Gene Dyson
Mr. William Farr, III
Dean Clyde Faulkner
Mr. Andrew Ford
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Dr. William Gabard
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Mr. Jerry Licari
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Mrs. Carol Martel
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Mr. George J. Nichols
Mr. E. Earl Patton, Jr.
Mr. Jack Pinkerton
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Governor Carl Sanders
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Mr. Ralph Shaw
Mr. Horace A. Sibley
Mr. Judson Simmons
Mr. Ronald Sugarman
Mr. Sidney Topol
Mr. Nick Tsubokawa
Mr. Shigehiko Ueno
Mr. Takeshi Uno
Dr. George Waldner
Mr. Joseph R. White
Mr. Sam Williams
Mr. Yoshiharu Yasuda
Mr. Takeshi Yoshii
Mr. Charles J. Young

PROGRAM AND ACTIVITIES COMMITTEE

Beauty, Good, and Knowledge are three sisters
That dote upon each other, friends to man,
Living together under the same roof,
And never can be sunder'd without tears.
- Tennyson

MISSION

The mission of the Program and Activities Committee of The Japan-America Society of Georgia is to develop activities and plan and present programs which will enhance Georgians' knowledge of the arts, industry, culture, and political and social systems of Japan; and provide Japanese guests who are working and residing in Georgia an opportunity to meet and associate with Georgians on a personal basis.

MR. PHILIP C. PRESTON
CHAIRMAN

CHAIRMAN

Mr. Philip C. Preston
769 Old Ivy Road, N.E.
Atlanta, GA 30342
(404) 237-5545

MEMBERS

Athletic & Social Affairs
Mr. Fred Chanoki
President
Murata Erie, N.A., Inc.
3002 Kingston Court
Marietta, GA 30067
(404) 953-1799

Business & Banking
Mr. John W. Georgas
Senior Vice President
The Coca-Cola Company
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Atlanta, GA 30301
(404) 676-2544

Cultural Affairs
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Department of Sociology
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Atlanta, GA 30303
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Professor, Social Science Education
University of Georgia
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Athens, GA 30605

Executive Forum

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Powell, Goldstein, Frazer & Murphy
1100 C & S Bank Building
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Atlanta, GA 30335

Political & Public Affairs

Mr. Richard Matthews
Editorial Columnist
The Atlanta Journal
72 Marietta Street, N.W.
Atlanta, GA 30303
(404) 526-5313

SPECIAL EVENTS COMMITTEES

1985 Annual Dinner

Ms. Ann Klamon, Co-Chairman
Mr. Bill Weidenbach, Co-Chairman

JASG/Shokokai Annual Picnic

Mr. Yoshiro Kumaki, Co-Chairman, Shokokai
Mr. Alan Smith, Co-Chairman, JASG

JASG/Shokokai Annual Friendship Golf Tournament

Mr. Yoshiro Kumaki, Co-Chairman, Shokokai
Mr. Earl Patton, Co-Chairman, JASG

GEORGIA-JAPAN BUSINESS DEVELOPMENT COMMITTEE

MISSION

To encourage business investment and development between Georgia and Japan through programs and other activities that bring together Georgia's and Japan's government and business leaders.

DON W. SANDS
CHAIRMAN

CHAIRMAN

Mr. Don W. Sands
President and Chief Operating Officer
Gold Kist, Inc.
244 Perimeter Center Parkway, N.E.
P.O. Box 2210
Atlanta, GA 30301
(404) 393-5020

MEMBERS

Mr. Hiro Araki
General Manager
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Atlanta, GA 30303
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The Executive Forum was established in December 1984. Its primary purpose is to facilitate mutual understanding and to provide meaningful business and social contacts among the Japanese and American members of The JASG. All JASG members are eligible to attend the quarterly meetings which are held the third Thursday of the first month of each quarter (January, April, July and October). The Forum attempts to present perspectives from both countries by having a Japanese and an American speaker at each meeting.

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THE JAPAN EDUCATION NETWORK OF GEORGIA (JENGA)

JENGA is an organization comprised of educators and friends of education who are concerned with the education of Americans (particularly Georgians) about Japan and with related topics and issues.

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The Tomodachi Club, established in October 1981 as a Japanese-American cross-cultural group of women, meets on a regular basis. Initially, the Club was comprised of 4 Japanese and 4 American women. By January, 1984, it was broadened into three groups.

The groups meet every other month in a group member's home. The meeting usually includes a luncheon with a theme (or a festival) such as Thanksgiving meals, New Year's dishes, kimono, origami, tanabata, or famous personalities. Members are generally very enthusiastic about the opportunity the association provides to learn about two countries, their people, and their cultures. The gatherings always result in lively conversation, with close friendships being established.

In addition to the regular meetings, an annual meeting is held at a unique-type restaurant, club or historical site. Also, special events are on-going, such as potluck get-together-buffets for wife and husband, and cultural outings. For membership information contact The JASG: 524-7399.

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Manager

Alexander Grant & Company, founded in Chicago in 1924, is an international firm of certified public accountants. The firm has approximately 1,000 partners internationally and approximately 14,000 employees. The Atlanta offices of Alexander Grant & Company were founded in 1968. A number of international firms, including several Japanese firms, are presenty served by the Atlanta office.

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Alston & Bird serves as general counsel or the major outside counsel for numerous national and international firms. They include Georgia's largest bank, one of the nation's largest agricultural cooperatives, the largest distributor of automobile replacement parts in the U.S., a Fortune 500 appliance manufacturer, a national computer information processing company and well-known trade, professional and charitable associations. The firm's areas of expertise include public and private finance, financial institutions, litigation, health care, real estate, zoning and environment, antitrust and trade regulation, bankruptcy, tax and fiduciary law, labor relations and emerging growth companies.

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A. R. Weeks & Associates is a real estate development, construction, management, investment, and leasing company currently developing approximately 400 acres of land in Norcross, a northeast metro Atlanta location. One of the company's properties, Gwinnett Park, is home to many Japanese-American companies: Panasonic, OKI, Toyomenka, Komatsu, High Voltage Breakers, Hitachi, Velbon, and Kubota. In fact, one of the Park's first tenants was Panasonic, for whom A. R. Weeks & Associates recently has completed a four-story 100,000 square foot office building and a 250,000 square foot service/distribution center.

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AZS is a wholly owned U.S. sibsidiary of Toyo Soda Mfg. Co., Ltd. AZS supplies specialty chemicals into the Textile, Coating, Adhesives, Mining and Construction Industries.

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The Coca-Cola Company is the world's leading soft drink company, one of the world's largest citrus marketers, and a major producer and distributor of motion pictures and television programs. The Company's products are sold in more than 155 countries and include such widely known trademarks as Coca-Cola, Diet Coke, TAB, Sprite, Fanta, Minute Maid, Five Alive and Hi C. In 1984 the Company's entertainment business released such films as "Ghostbusters", "The Karate Kid", "A Soldier's Story" and "A Passage to India", produced "T.J. Hooker" and other television series, and released for syndication programs such as "Hart to Hart".

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Deloitte Haskins & Sells is a worldwide firm of more than 26,000 people providing accounting, tax, and consulting services from 426 offices in 69 countries. In Georgia, offices are located in downtown Atlanta and at the Galleria in Cobb County. In Japan, offices are located in Tokyo and Osaka. A number of Japanese nationals are located in its United States offices just as U.S. nationals are located in Japan to better serve multinational clients.

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The Dexter Company is a privately held international investment/management company founded in 1973 by Gregory A. Dexter. The firm is organized into five key business units: (1) General Brokerage of Commercial Real Estate - both sales and leasing, (2) Real Estate Development and Construction Management, (3) Commercial Property and Asset Management, (4) Commercial Real Estate Consulting and Advisory Services, (5) General Advisory and Management Services for foreign investors in the U.S.A. Important areas of the world for The Dexter Company are Europe, Asia/Pacific and the Americas.

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Engraph, Inc. serves carefully selected market segments within the multi-billion dollar packaging materials market. These markets utilize custom manufactured, high value-added packaging and product identification materials requiring superior capabilities in the areas of printing and forming. The majority of packaging and product identification applications are sold to manufacturers of consumer products which are packaged in a variety of materials, including flexible films, specialty papers and paperboard and rigid vinyl.

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Ernst & Whinney is an international firm with over 300 offices which provides accounting, audit, tax and consulting services. Its Japanese practice was established in 1963 and was further enhanced in 1984 when Tetsuzo Ota & Company, one of the Big Five of Japanese auditing firms, became a member firm. The Atlanta office which opened in 1919 has an experienced group of international business professionals to serve the needs of Japanese companies in Georgia.

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First Atlanta is the second largest bank holding company in Georgia with total assets of over $7 billion. It is one of the oldest banks in Georgia with its origins dating back to 1865. For the year ending December 31, 1984, First Atlanta recorded a net profit of over $60 million, the 8th consecutive year of record profits. With the completion of our acquisition of First National Bank of Gwinnett County in mid-1985, First Atlanta will have the largest market share of any bank in this important and growing area of metro Atlanta. Throughout the state of Georgia, First Atlanta operates over 125 banking centers to service its customers.

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Corporate Acct.
Mary Anne Mullis

Fuji Bank, established in 1880, is the second largest commercial bank in Japan and ranks 4th in terms of total assets among banks in the world. The Bank has 259 offices at home and 49 foreign bases in 22 major cities of the world. Since the 1950's Fuji Bank has expanded its international banking services and is very active in corporate and project finance in response to diversified and sophisticated customer needs. The acquisition in 1984 of Walter E. Heller & Company and Walter E. Heller Overseas Corporation will herald a new era in its international banking activities.

Fuqua Industries, Inc. (R)

4900 Georgia Pacific Center
Atlanta, Georgia 30303
(404) 658-9000

Lawrence P. Klamon (VR)
President
John McCune
Vice President, Operations
Samuel Norwood III
Vice President, Corporate Planning

Fuqua Industries, Inc. (NYSE) is a diversified manufacturing, distribution and service company with four principal businesses: Lawn and Garden, Photofinishing, Sporting Goods, Seating and Other. The Lawn and Garden segment is comprised of Snapper Power Equipment, one of America's largest manufacturers of premium quality lawn and garden equipment. Colorcraft Corporation is the leading independent wholesale photofinisher and the second largest photofinisher overall in the U.S. Together, the companies which make up Fuqua's Sporting Goods segment are one of the largest manufacturers and distributors of sports equipment in the U.S. and represent one of this country's most profitable sporting goods businesses. Fuqua's Seating and Other group is a combination of the American Seating Company and a diverse group of other operations, primarily manufacturers.

The Garlington Group (S)

1401 W. Paces Ferry Road, N.W.
Suite B-214
Atlanta, Georgia 30327
(404) 262-2022

J. P. Garlington, Jr. (VR)
President
Walter T. Gupton
Vice President
William H. Harbison
Vice President

Duncan J. McRae
Comptroller
John Quinn
President, Risk Mgt. Services

Georgia Ports Authority (R)

P. O. Box 2406
Savannah, Georgia 31402
(912) 964-3874

George J. Nichols (VR)
Executive Director
John Devereaux
Southern Regional Manager
Jack P. Turner, Jr.
Chairman of the Board

Georgia Power Company (S)

P. O. Box 4545
Atlanta, Georgia 30302
(404) 526-7954

John A. Roberts (VR)
Vice President-Retail Marketing
Paul Champion
Executive Vice President
Robert W. Scherer
Chairman & Chief Executive Officer
James H. Miller, Jr.
President
William H. Weidenbach, Jr.
Industrial Marketing Manager
J. W. Talley, Jr.
Vice President

Gold Kist, Inc. (R)

P. O. Box 2210
Atlanta, Georgia 30301
(404) 393-5020

Don W. Sands (VR)
President
J. L. Stewart
Vice President-Marketing, Poultry Group
John Lockridge
General Sales Manager, Peanut Division

Organized in 1933 in Carroll County, Georgia as a cotton marketing cooperative, Gold Kist, Inc. now ranks 238 on *Fortune Magazine's* list of top industrial corporations in America. The Atlanta-based cooperative markets pork, grains, pecans, poultry, soybeans, eggs and peanuts for its members. It also manufactures and purchases feeds, seeds, fertilizers, pesticides, animal health products and miscellaneous farm supplies. These farm supplies are distributed through more than 140 Gold Kist stores and dealers located in the Southeast. During 1983-84 fiscal year, Gold Kist's dollar volume was $1.6 billion with pre-tax margins of $50.2 million.

Hansell & Post (R)

3300 First Atlanta Tower
Atlanta, Georgia 30383
(404) 581-8000

N. William Bath (VR)
Partner
Terrence B. Adamson
Partner
R. Mason Cargill
Partner
Gordon D. Giffin
Partner
Holcombe T. Green, Jr.
Partner
Rick J. W. Riggers
Attorney

Additional Offices: Perimeter Center, Washington, D.C.

Henry I. Daty, Inc. (R)

122 East 42nd Street
New York, New York 10168
(212) 867-1976

Henry I. Daty (VR)
President
Eisaku Hiromura
Treasurer

High Voltage Breakers, Inc. (R)

4437F Park Drive
Norcross, Georgia 30093
(404) 923-1330

Joseph A. Miller (VR)
President
Keiichi Hirata
Vice President

High Voltage Breakers, Inc. is jointly owned by the General Electric Company, Fairfield, Connecticut and Hitachi, Ltd., Tokyo, Japan. HVBI manufacturers, markets, and services High Voltage SF_6 Gas Circuit Breakers and Gas Insulated Substations in the U.S.A., primarily at ratings 121kv and above.

Hurt, Richardson, Garner, Todd & Cadenhead (R)

233 Peachtree Street, N.E.
Suite 1100
Atlanta, Georgia 30043
(404) 525-1100

Judson Simmons (VR)
Attorney
M. Daniel McRae
Attorney
W. Clayton Sparrow, Jr.
Attorney

The Industrial Bank of Japan, Ltd. (S)

1500 Gas Light Tower
235 Peachtree Street, N.E.
Atlanta, Georgia 30303
(404) 524-8770

Yoshiro Kumaki (VR)
Representative
Shuji Ueno
Representative
Kathy Simmering
Office Manager

Interface Flooring Systems, Inc. (R)

100 Galleria Parkway
Suite 1875
Atlanta, Georgia 30339
(404) 956-8660

Carl I. Gable (VR)
President
Ray C. Anderson
Chairman and Chief Executive Officer
Donald E. Russell
Vice President, Marketing and President, Interface International
Wendell Hadden
Vice President

Interface Flooring Systems is one of the world's largest manufacturers of free-lay carpet file, for use primarily in office, commercial, institutional and health care facilities. Based in LaGrange, Georgia, the company also has manufacturing plants in Marietta, Georgia; Ontario, Canada; and the United Kingdom. The company's primary offices are located throughout the United States and Canada and in Tokyo, Hong Kong, Sydney, London and Jeddah.

International Horizons, Inc. (S)

8000 Arlington Expressway
Jacksonville, Florida 32211
(904) 724-7210

Herbert W. Scheidel (VR)
President
Guy Cihi
Frank H. Darwin
Executive Vice President
Peter Holmes
Chairman

International Horizons, Inc. is a leader in the English language industry in Japan. Its principal business is developing, producing and successfully marketing a line of English language learning products and services. The Company was founded in 1970 and currently employs 120 people in Japan, Atlanta and the Netherlands Antilles. The Company markets its products on a wholesale basis through exclusive distributors.

Japan Air Lines (R)

235 Peachtree Street, N.E., Suite 1904
Atlanta, Georgia 30303
(404) 521-1616

Ralph Shaw (VR)
District Sales Manager
James Brann
Account Executive
Steve Parish
Passenger Sales Representative
Hiromi Tsuboi
Senior Passenger Sales Representative
Jimmie King
Senior Inside Sales

In 1984, after 30 years of operation, JAL maintained its first International Air Traffic Asso. (IATA) ranking for the second consecutive year, in revenue-ton-kilometers (a measurement of productivity in carriage of both passengers and cargo), and, while striving to achieve that honor, earned a profit in 28 of those years. JAL recently took delivery of its 50th Boeing 747 and now operates the largest fleet of this type aircraft in the world. All of these aircraft purchases in the U.S. amount to an expenditure in excess of 4 billion dollars; added to other goods and services, the sum reaches 6 billion plus, making JAL the largest single foreign corporate buyer in the U.S.A.

Japan Line (U.S.A.), Ltd. (A)

235 Peachtree Street, N.E.
Suite 2006
Atlanta, Georgia 30303
(404) 688-6958

Yasuhito Izumoto (VR)
District Sales Manager

Japan Line (U.S.A.), Ltd. is one of the leading steam shipping companies in the world. Headquartered in New York, the Atlanta Branch office was established in 1972.

Johnson & Higgins of Georgia, Inc. (S)

25 Park Place, N.E.
Atlanta, Georgia 30303
(404) 658-1330

Walter A. George, III (VR)
Claims Manager
Albert S. McGhee
Director
K. Roger Holliday
Assistant Vice President
Bruce I. Maynes
International Department Manager
Michael A. Kalasky
International Department

Johnson & Higgins, the first insurance brokerage and employee benefit consulting firm in the United States, was founded in 1845 in New York. Today, with offices in 42 cities in the United States, 48 cities abroad including Tokyo and with over 6,300 employees, Johnson & Higgins is the largest privately-held insurance brokerage and employee benefit consulting firm in the world. Our Atlanta office has over 130 employees including specialists in every area of insurance. We are proud to include many Japanese firms among our Georgia accounts.

Kajima International, Inc. (R)

100 Galleria Parkway
Suite 1130
Atlanta, Georgia 30339
(404) 952-0058

Shigehiko Ueno (VR)
Manager
Hiroshi Kobori
Manager
W. S. Battell
Vice President and General Manager
Charlotte Crew
Marketing Manager

Kajima International was incorporated in the State of California in 1961 and has operated as a full-service general construction company since 1964. In addition to its corporate headquarters in Fort Lee, New Jersey, Kajima International maintains offices in Los Angeles, Atlanta, and Dallas, and representation in Minneapolis and West Palm Beach. Kajima has completed more than 450 projects in 19 states as General Contractor, Construction Manager, or on a Design-Build basis. These projects have included industrial, institutional, and commercial facilities and several large-scale mixed-use development projects, the most noteworthy being the Little Tokyo area of downtown Los Angeles and the East Bank Riverfront development in Minneapolis.

Kidder, Peabody & Company (A)

2 Peachtree Street, N.W.
Suite 2700
Atlanta, Georgia 30383
(404) 658-1300

Lewis G. Holland (VR)
Branch Manager
Kathryn Staley
Assistant Vice President, Retail Sales

Kidder, Peabody & Company was founded in 1865. The keystone of the firm's business philosophy was then, as it is today, to offer personal and professional services to individual and institutional investors, as well as to aid corporations in all aspects of their financial programs. With over 1,800 professionally trained securities brokers, the firm offers a broad selection of products and services to individual clients in the U.S. and overseas.

Kilpatrick & Cody (S)

100 Peachtree Street
Suite 3100
Atlanta, Georgia 30043
(404) 572-6500

W. Stanley Blackburn (VR)
Partner
Barry Phillips
Partner
G. Kimbrough Taylor, Jr.
Partner
Richard R. Cheatham
Partner
Dean Booth
Partner
Allan Smith
Associate
Daryl Buffenstein
Partner

King & Spalding (S)

2500 Trust Company Tower
Atlanta, Georgia 30303
(404) 572-4600

Horace H. Sibley (VR)
Partner
George D. Busbee
Partner
Harry C. Howard
Partner
W. Donald Knight, Jr.
Partner
Mark L. Feidler
Associate

Kleen-Tex Industries, Inc. (A)

P. O. Box KTI
LaGrange, Georgia 30241
(404) 882-8134

Ralph W. Howard, Jr. (VR)
Chairman and Chief Executive Officer
George G. (Gary) Dye
Vice President
Duncan B. Allen
International Business Manager

Kleen-Tex® was established as a Georgia corporation in 1967. The corporate goal was to manufacture washable floor mats. Since that time the trademarked products—Wash-Horse®, Show-Horse® and Graphic Inlay®—have been developed and introduced to the world market. There are now four manufacturing companies in the Kleen-Tex family: Walk-Off Mats Ltd. in the United Kingdom; Walk-Off Mats (NZ) Ltd. in New Zealand; and Kleen-Tex Japan, Inc., which has a manufacturing and distribution warehouse facility in the Seishin Industrial Park of Kobe City, Japan.

Komatsu America Corporation (A)

4274 Shackleford Road
Norcross, Georgia 30093
(404) 923-3515

Tetsuro Asuke (VR)
Deputy General Manager-Marketing
Southeast Regional Manager
Scott Carriere
General Manager-Marketing Support

Law Engineering Testing Company (R)

396 Plasters Avenue, N.E.
Atlanta, Georgia 30324
(404) 873-4761

Raymond Donohue (VR)
Director-Business Development
A. J. Glenn, III
President
Mike Montgomery
Marketing Coordinator

Lockheed-Georgia Company (R)

86 South Cobb Drive
Marietta, Georgia 30063
(404) 424-5683

C. L. Ray (VR)
Vice President-Marketing
E. J. Laurent
Director, International Marketing
G. B. Methvin
Director, International Sales
R. M. Parker
Manager, Export Sales
G. L. Allen
Regional Manager, International Sales-Japan

As one of Lockheed Corporation's major operating companies, Lockheed-Georgia has built the world's largest military cargo transport, the C-5 Galaxy; the first fan-jet military cargo transport, the C-141 Star-Lifter; and the world's most widely used airlifter, the C-130 Hercules. Other major aircraft products include the L-100 Hercules commercial air freighter and the JetStar executive transport. The company also performs studies on airborne and ground cargo handling systems; manufactures industrial and electronic products and conducts research on advanced high performance future transports as well as the design of avionic and electronic systems for tomorrow's aircraft.

The company continues to build Hercules airlifters at a rate of three per month with more than 1700 delivered to 57 nations around the world. The company is building an updated version of the C-5A, with 50 C-5B transports scheduled for delivery to the Air Force by 1989.

Marsh & McLennan, Inc. (R)

3400 Georgia Pacific Center
133 Peachtree Street, N.E.
Atlanta, Georgia 30303
(404) 521-3000

H. Cartan Clarke (VR)
Managing Director
D. Robert Marsden
Senior Vice President
Howard L. Davis
Vice President

Mead Packaging International (R)

950 W. Marietta Street, N.W.
P. O. Box 4417
Atlanta, Georgia 30302
(404) 875-2711

P. Carter Smith (VR)
President
Charles R. House
Vice President and General Manager
Betsy Bent
Director of Operations and Business Development

Mead Packaging is a division of The Mead Corporation, headquartered in Atlanta, Georgia, and employing more than 1500 people. A $300 million-a-year business, Mead Packaging offers a fully-integrated packaging system including trees, mills, package design and production and the machines to apply the packages. With more than 35 years' experience in the food and beverage packaging industry, Mead Packaging's primary business segments are multiple packaging for soft drinks, beer and convenience foods. Mead also provides distribution packaging for health and beauty aids and refrigerated dough products. And the company now manufactures the Tri-Fi™ product line of printed shrink film and machinery for economical multiple packaging of bottles and cans. Mead Packaging International markets these products and systems worldwide, through wholly-owned subsidiaries and joint ventures in six nations and licensees in 26 more.

Minolta Corporation (S)

5904 Peachtree Corners East
Norcross, Georgia 30071
(404) 449-3600

Andrew J. Ford (VR)
Branch Operations Officer
Sam Kusumoto
(America) President
Tim Nishimura
Vice President
Shigeru Nagai
Technical Japanese Advisor
Jon Sienkiewicz
S.E. Regional Sales Manager
Anna Carroll
Order Department Manager
Ben Chernobrov
Warehouse Manager
David Goodwin
Regional Credit Manager

Minolta Camera Co. Ltd., the parent company of Minolta Corporation, is a leading Japanese manufacturer of cameras, copying machines and other imaging products. Established in 1928 by Kazuo Tashima to produce cameras, the company's diversification into copiers and other business machines has been so successful that sales volume is now balanced almost evenly between cameras and business machines. Minolta operates factories in Japan and Malaysia. In addition to the Minolta sales network in Japan, a highly developed international network of subsidiaries handles overseas marketing, which accounts for more than 80% of total sales.

Mitsubishi International Corporation (S)

235 Peachtree Street, N.E.
Suite 2002
Atlanta, Georgia 30303
(404) 688-8641

Masayasu "Mike" Inoue (VR)
General Manager
Tsuyoshi Noma
Assistant General Manager
Kotaro Yoshioka
Assistant Sales Manager

Mitsubishi International Corporation, Atlanta Branch has been in Atlanta over 10 years and employs 15 people. Our main concern is international trading. Annual reports are available upon request.

Mitsui & Company (U.S.A.), Inc. (S)

230 Peachtree Street, N.E.
Suite 1416
Atlanta, Georgia 30303
(404) 688-0700

Hiro Araki (VR)
General Manager
Nobu Yoshioka
Assistant General Manager
Jerry Stapp
Deputy General Manager

Mizuno Golf Company (R)

5805 Peachtree Corners East
Norcross, Georgia 30092
(404) 441-5553

Jack Curran (VR)
President
Dan Wilkens
Vice President-Operations
Robert Chiu
Vice President-Marketing
Kazuo Kitamura
Associate
Yoshi Hatanaka
Associate

Murata-Erie North America, Inc. (S)

3002 Kingston Court
Marietta, Georgia 30067
(404) 953-1799

Fred Chanoki (VR)
President
Jack Driscoll
Vice President-Marketing
Charlie Augello
Vice President Operations and General Manager
Martin Yumoto
Vice President & General Manager of Georgia Division
Bob Entrekin
Vice President, Human Resources
Tom Yamamoto
Vice President & Treasurer
Ken Tanaka
Dunkin Fitzsimmons
Tony Coalson
Kazu Konouchi
Jack McNamara
Ken O'Connor

Murata Erie North America, Inc., a subsidiary of Murata Manufacturing Company, Ltd. (Japan), was incorporated in 1965. Annual sales for this manufacturer of various electronic components were $130 million in 1984. There are currently 2,000 employees in North America.

M.Y. Travel Services, Inc. (A)

2900 Chamblee-Tucker Road
Building 16
Atlanta, Georgia 30341
(404) 451-3663

Yoko Sakamoto (VR)
Michiko Miyashita

McCann-Erickson, Inc. (R)

615 Peachtree Street, N.E.
Atlanta, Georgia 30365
(404) 873-2321

Ronald Sugarman (VR)
Senior Vice President-The Interpublic Group of Companies, Inc.
Peter Hamilton
Senior Vice President
Neil Howard
Senior Vice President and General Manager

McCann-Erickson is a worldwide advertising agency operating in over 70 countries with billings of over 2 billion dollars. McCann is the largest of the three major agency systems of The Interpublic Group of Companies, Inc., the world's largest advertising corporation. McCann-Erickson, which established its international system over 50 years ago, is today, in terms of international billing, the world's leading global advertising agency.

McCann-Erickson Hakukodo is its agency in Japan. It is a successful 25-year-old joint venture between McCann, the majority shareholder, and Hakukodo, Japan's oldest and second largest advertising agency. Today it is the only international agency which is ranked among the top 10 in Japan.

McKinsey & Company (R)

235 Peachtree Street, N.E.
Suite 1800
Atlanta, Georgia 30305
(404) 525-9900

James S. Balloun (VR)
Managing Director

Edward G. Michaels, III
Director
David L. Wenner
Principal
Dan Pittard
Associate
John Durrett
Associate

McKinsey & Company, Inc. is an international consulting firm that specializes in problem solving and program implementation for a broad range of corporate and, to a lesser extent, government institutions. Working at the top-management level, the firm assists its clients in significantly improving the performance of their organizations, both by resolving internal problems and by anticipating and responding effectively to external threats and opportunities. Founded in the United States in 1926, McKinsey & Company has 32 offices in 17 countries, serving organizations in most industrialized nations.

National Bank of Georgia (S)

34 Peachtree Street, N.W.
Atlanta, Georgia 30303
(404) 951-4000

Benjamin H. Kinnas (VR)
International Specialist
Vincent D. Cater
Senior Vice President-International
Javed A. Malik
Group Vice President
J. Randall Carroll
Senior Vice President
Richard Keneman
Senior Vice President
Guy Freeman

Chartered in 1911 as the Atlanta Loan and Savings Company, National Bank of Georgia has since shown dynamic growth. At the end of 1984, NBG operated 48 offices in the Atlanta metropolitan area. Today, the company is a full-service commercial bank which provides corporate, governmental, trust, international and consumer services within its designated markets.

National Data Corporation (R)

One National Data Plaza
Corporate Square
Atlanta, Georgia 30329
(404) 329-8500

Rowland H. Thomas, Jr. (VR)
Executive Vice President
C. W. Leizear
Executive Vice President

National Data Corporation is a leading supplier of integrated computer systems, value added software and network services to the financial, retail and health care industries. Revenue for the year ended May 31, 1985 was $141,298,000. Net income for the twelve month period ended May 31, 1985 was $7,542,000. NDC has approximately 2,700 employees with offices in 15 major U.S. cities, plus international offices in Germany, Japan, England, Italy, Sweden and Canada.

Nissho Iwai American Corporation (S)

1819 Peachtree Road, N.E.
Suite 716
Atlanta, Georgia 30305
(404) 352-5503

Ray Donato (VR)
General Manager
Roger Okazaki
Manager-Steel Department
Bill Miller
Assistant Sales Manager-Steel Department

Nissho Iwai American Corporation is a general trading company involved in steel, textile, chemicals, general merchandise and energy resources.

Nitta International Incorporated (A)

2807 Peterson Place
P. O. Box 1543
Norcross, Georgia 30091
(404) 448-3371

Shunichiro Nose (VR)
Treasurer
K. Ashizawa
President
John Gilbert
Executive Vice President

Nitta Industries Corporation (parent company of Nitta International Incorporated) has been manufacturing belts and tapes since 1885 and will celebrate their 100th anniversary this year.

Nitta International Incorporated was started five years ago in New Jersey and in 1982 moved to Norcross, Georgia. It is dedicated to the manufacture of premium quality industrial flat belting and supplies the end user through a distributor network. The company currently employs 25 persons in its Norcross office.

Ogden Material Handling Corp. (A)

4780 Mendel Court, S.W.
Atlanta, Georgia 30336
(404) 691-9150

Hank Ogden (VR)
President
Robert D. Harris
Vice President

Panasonic Company (A)

1854 Schackleford Court
Norcross, Georgia 30093
(404) 925-6760

Stan Gray (VR)
Vice President
H. Kobayashi
Controller

The Panasonic Company established roots in the Atlanta area in the late 1960's. The Panasonic Company - Southern Group was established in the mid 1970's and is responsible for the distribution of Consumer Electronics products in a 13-state area. Panasonic Company is a division of Matsushita Corporation of America who in turn is an operating company of Matsushita Electric Industries headquartered in Osaka, Japan.

Peachtree City Development Corporation (A)

P. O. Box 2007
Peachtree City, Georgia 30269
(404) 487-8585

Gregory Popham (VR)
Director

PCDC is a land development company acting as the agent of The Equitable Life Assurance Society of the U.S. in its tract development of Peachtree City, Georgia. The community has 15,000 acres of which 2100 are dedicated to industrial development. Of the 40 existing industries, seven are associated with international countries (Japan, Germany, Belgium, Canada). The two Japanese firms are TDK and Hoshizaki. Japanese is the second language in the Fayette County School Systems and several Japanese families reside in Peachtree City. Hence, our strong involvement in JASG and international industrial recruitment.

Peat, Marwick, Mitchell & Co. (S)

225 Peachtree Street, N.E.
Suite 2100
Atlanta, Georgia 30043
(404) 577-3240

Jerry R. Licari (VR)
Partner
John A. Bullard
Senior Manager
David F. Wells
Partner
Keizo Shimimura
Consultant
Stanley D. Garrison
Manager
Jeffrey A. Eischeid
Senior Manager

Peat, Marwick, Mitchell & Co. is an international accounting firm which provides accounting and auditing, tax and management consulting services to Japanese companies worldwide. The Atlanta office of Peat, Marwick has 250 professionals and presently serves a number of Japanese companies located in Georgia.

The Pinkerton & Laws Company (R)

875 Douglas Road, N.E.
Atlanta, Georgia 30060
(404) 256-1000

Jack M. Pinkerton (VR)
President
Hardin M. Byars
Vice President, Marketing

Celebrating its thirtieth anniversary this year, The Pinkerton and Laws Company is among the largest Atlanta-based general contractors. With regional offices in Orlando and Houston, the firm serves the Sunbelt with expertise in a diverse scope of commercial construction. The Pinkerton and Laws Company currently ranks in the top one percent of all general contractors in the country. Proud that over 75 percent of its current projects are for repeat clients, P & L believes continued adherence to its basic business philosophy to "look at construction through the eyes of the client" has been responsible for its success.

Powell, Goldstein, Frazer & Murphy (S)

1100 C & S National Bank Building
35 Broad Street
Atlanta, Geogia 30335
(404) 572-6600

Robert R. Harlin (VR)
Chairman, International Department
John L. Gornall, Jr.
Partner
J. Winston Huff
Partner
John Steed
Partner
Philip J. Marzetti
Partner
Arnold E. Rubinoff
Partner

With over 150 lawyers in its Atlanta and Washington, D.C. offices, Powell, Goldstein, Frazer & Murphy is one of the oldest and largest law firms in the Southeast. The firm was founded in Atlanta in 1909 and has grown dramatically in recent years into a major full-service law firm with the capability of serving its clients in virtually all legal specialties. The firm has been particularly active in international law, both in assisting foreign corporations and individuals in doing business and investing in the United States and in helping U.S. companies to do business abroad, and has lawyers on its staff capable of conducting business in several languages, including Japanese.

Rich's (R)

45 Broad Street
Atlanta, Georgia 30302
(404) 586-2488

Larry Lawrence (VR)
Senior Vice President, Operations
Carol D. Albright
Manager, Community Affairs

Rich's, a Division of Federated Department Stores, is often referred to as a Southern institution because of its history, its attitudes, and its philosophy. Founded in 1867, Rich's consists of eighteen department stores in Georgia, Alabama, and South Carolina; and two new stores will open in 1986. Rich's 1984 sales were $602.0 million.

The Sanwa Bank Limited (S)

Georgia-Pacific Center, Suite 4750
133 Peachtree Street, N.E.
Atlanta, GA 30303
(404) 586-6880

Yoshiharu Yasuda (VR)
General Manager
Nobuyuki Yonezawa
Vice President
Masaharu Oshima
Assistant Vice President
John Hansen
Senior Vice President

Scientific-Atlanta, Inc. (R)

P. O. Box 105600
Atlanta, Georgia 30348
(404) 441-4635

C. Steve Young (VR)
General Manager
John H. Levergood
President
James A. Hart, Jr.
Vice President
Sidney Topol
Chairman & Chief Executive Officer
Raymon Heaton
Manager-Instrument Division

Siemens-Allis, Inc. (R)

P.O. Box 89000
Atlanta, Georgia 30356-9000
(404) 393-8200

Chester W. Diercks, Jr.
President & Chief Executive Officer
H. A. Codelli
Area Vice President-
International Marketing
J. V. Sheahan
Director-Communications &
Public Relations

Siemens-Allis engineers, manufactures, markets and services products and systems which generate, regulate, control and distribute electric power; protect electrical systems, and convert electric power to mechanical energy for electric utilities and general industry. Siemens-Allis has 24 plants in the U.S. and employs approximately 7600 people.

The Sumitomo Bank, Ltd. (S)

Georgia-Pacific Center
Suite 3010
133 Peachtree Street
Atlanta, Georgia 30303
(404) 521-1185

Masao Harada (VR)
Chief Representative

The Sumitomo Bank, Ltd. is the fifth largest bank in the world as of December 31, 1983. The Atlanta Representative Office was opened in April 1984.

Suzuki & Young, Inc. (A)

Windy Hill Executive Center
Suite 144
2470 Windy Hill Road
Atlanta, Georgia 30067
(404) 984-1444

Charles (Chuck) Young (VR)
Partner
Daisaku Suzuki
Partner

TDK Electronics Corporation (R)

1 TDK Boulevard
Highway 74 South
Peachtree City, Georgia 30269
(404) 487-5200

Noboru Yamaki (VR)
Vice President & Plant Manager

The Tokio Marine & Fire Insurance Company, Ltd. (A)

235 Peachtree Street, N.E.
Suite 2211
Atlanta, Georgia 30303
(404) 688-0004

Masami Yamada (VR)
Manager

Tokio Marine, established in 1897, is Japan's oldest and largest non-life (property, casualty and Marine) insurance company. Its U.S. operation, historically going back to 1911, is now licensed in all states, D.C. and Puerto Rico and conduct by its wholly-owned subsidiary, Tokio Marine Management, Inc. which has 7 offices and 360 employees over the country.

Touche Ross & Company (R)

225 Peachtree Street, N.E.
Suite 1400
Atlanta, Georgia 30043-6901
(404) 586-6700

Fredric L. Blank (VR)
Partner
Seiichiro Azuma
Auditing Manager
Cary Rodin
Tax Partner
Alan Shapiro
Management Consulting Partner

Touche Ross & Co. is a multinational accounting, tax consulting and management consulting firm. The Atlanta office, with some 130 professionals, includes a large base of Japanese clients in various industries. A Japanese CPA is assigned to our office from our affiliated firm in Japan, Tohmatsu Awoki, to help in servicing Japanese businesses.

Troutman, Sanders, Lockerman & Ashmore (S)

Candler Building, Suite 1400
127 Peachtree Street, N.E.
Atlanta, Georgia 30043
(404) 658-8000

Joseph R. White, Jr. (VR)
Partner
Carl E. Sanders
Chief Partner
Dale M. Schwartz
Partner
Richard Newton
Partner

Steve A. Cunningham
Partner
Roxanne Jansen
Associate

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320 West Paces Ferry Road, N.W.
Atlanta, Georgia 30305
(404) 261-5763

Ms. Fumi Wickel (I)
Kitano Arms 2-16-15
Hirakawa-Cho, Chiyoda-ku
Tokyo Japan 102

Mr. John Wienert (I)
6530 Scotvalley Road
Atlanta, Georgia 30328
(404) 252-6044

Mr. James L. Wiese (H)
American Chamber of Commerce-Japan
Fukide Building #2
2-4-1-21 Toranomon
Minato-ku, Tokyo, Japan

Mr. Everett Wilcox (C)
Alston & Bird
1200 C & S Building
35 Broad Street
Atlanta, Georgia 30335
(404) 586-1500

Mr. Dan Wilkens (C)
Mizuno Golf Company
5805 Peachtree Corners East
Norcross, Georgia 30092
(404) 441-5553

Mr. Roy Wilkinson (S)
Georgia Tech
Post Office Box 32337
Atlanta, Georgia 30332
(404) 676-0516

Ms. Amy Williams (I)

2991 Ringle Road
Chamblee, Georgia 30341
(404) 451-2237

Mr. Sam Williams (I)

Atlanta Market Center
240 Peachtree Street, Suite 2200
Atlanta, Georgia 30043
(404) 688-8994

Mr. Bernard Wolf (I)

Seydel International, Inc.
80 Broad Street, N.W.
Atlanta, Georgia 30303
(404) 688-5770

President W. W. Wright, Jr. (H)

Macon Junior College
Macon, Georgia 31297
(1-912) 474-2700

Mr. Anthony Wyrick (I)

Portman Properties
225 Peachtree Street, N.E., Suite 201
Atlanta, Georgia 30303
(404) 688-7541

Mr. Masami Yamada (C)

Tokio Marine & Fire Insurance
235 Peachtree Street, N.E., Suite 2211
Atlanta, Georgia 30303
(404) 688-0004

Mr. Noboru Yamaki (C)

TDK Electronics Corporation
1 TDK Boulevard, Highway 74 South
Peachtree City, Georgia 30269
(404) 487-5200

Mr. Tom Yamamoto (C)

Murata-Erie, N.A., Inc.
3002 Kingston Court
Marietta, Georgia 30067
(404) 953-1799

Mr. Tsutomu Yamamoto (H)

Consulate General of Japan
400 Colony Square, Suite 1501
Atlanta, Georgia 30361
(404) 892-2700

Mr. Tom Yamashita (C)

The Coca-Cola Company
3791 Browns Mill Road
Atlanta, Georgia 30354
(404) 765-1519

Mr. Yoshiharu Yasuda (C)

The Sanwa Bank Limited
133 Peachtree Street, N.E., Suite 4750
Atlanta, Georgia 30303
(404) 586-6880

Mr. N. Yonezawa (C)

The Sanwa Bank Limited
133 Peachtree Street, N.E.
Suite 4750
Atlanta, Georgia 30303
(404) 586-6880

Mr. Nobu Yoshioka (C)

Mitsui & Company (USA), Inc.
230 Peachtree Street, N.W.
Suite 1916
Atlanta, Georgia 30303
(404) 688-0700

The Honorable Andrew Young (H)

Mayor, City of Atlanta
68 Mitchell Street, S.W.
Atlanta, Georgia 30334
(404) 658-6100

Mr. Charles J. Young (C)

Suzuki & Young, Inc.
Windy Hill Executive Center
2470 Windy Hill Road
Suite 144
Atlanta, Georgia 30067
(404) 984-1444

Mr. C. Steve Young (C)

Scientific-Atlanta, Inc.
Post Office Box 105600
Atlanta, Georgia 30348
(404) 441-4635

Ms. Agnes Youngblood (H)

Japan Resources, Inc.
5500 S.W. 84 Terrace
Miami, Florida 33143
(1-305) 665-2459

Mr. Martin Yumoto (C)

Murata-Erie, N.A., Inc.
3002 Kingston Court
Marietta, Georgia 30067
(404) 953-1799

Mr. Alfred E. Zatlin (I)

Emory University
Box 22097
Atlanta, Georgia 30322
(404) 727-7889

Mr. Alfred E. Zimmermann (S)

1100 Austin Avenue, N.E.
Atlanta, Georgia 30307
(404) 577-1300

Mrs. Deborah B. Zink (I)

Smith, Cohen & Ringel
2400 First Atlanta Tower
Atlanta, Georgia 30383
(404) 656-1800

RESOURCES

CONSULATE GENERAL OF JAPAN

Suite 1501, 400 Colony Square
1201 Peachtree Street, N.E.
Atlanta, Georgia 30361
(404) 892-2700

The Honorable Tadayuki Nonoyama, Consul General
Spouse: Mrs. Takako Nonoyama

Staff: Ihei Makita, Consul
Ichiro Muto, Vice Consul
Tsutomu Yamamoto, Special Assistant
Yuichi Saito, Vice Consul
Fumihiro Tsubomoto, Vice Consul
Hidetaka Ishii
John Brooks
Stephen Allen
Leslie Fedota

Jurisdiction: Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia

Affiliated Japan-America Societies of the United States

ARIZONA

Japan-America Society of Phoenix

P.O. Box 654
Phoenix, Arizona 85001
(1-602) 839-8200

CALIFORNIA

The Japan Society of Northern California

312 Sutter Street
Suite 406
San Francisco, California 94108
(1-415) 986-4383

Japan America Society of Southern California

244 South San Pedro Street
Los Angeles, California 90012
(1-213) 687-3275

DISTRICT OF COLUMBIA

Japan America Society of Washington, Inc.

Bacon House Mews
606 18th Street N.W.
Washington, D.C. 20006
(1-202) 289-8290

FLORIDA

Japan America Society of Southern Florida

6904 Southwest 110 Avenue
Miami, Florida 33173
(1-305) 257-8184

GEORGIA

The Japan-America Society of Georgia, Inc.

225 Peachtree Street, N.E.
Suite 801, South Tower
Atlanta, Georgia 30303
(1-404) 524-7399

HAWAII

The Japan-America Society of Honolulu

P. O. Box 1412
Honolulu, Hawaii 96806
(1-808) 524-4450

ILLINOIS

Japan-America Society of Chicago, Inc.

36 South Wabash Avenue
Chicago, Illinois 60603
(1-312) 263-3049

MAINE

The Japan-America Society of Maine

10 Exchange Street
No. 206
Portland, Maine 04101
(1-207) 774-4014

MASSACHUSETTS

The Japan Society of Boston, Inc.

22 Batterymarch Street
Boston, Massachusetts 02109
(1-617) 451-0726

MINNESOTA

Japan America Society of Minnesota, Inc.

6101 Halifax Ave., So.
Edina, Minnesota 55424
(1-612) 920-5182

MISSOURI

Japan-America Society of St. Louis, Inc.

111 South Bemiston Avenue
Suite 221
St. Louis, Missouri 63105
(1-314) 726-6822

NEW YORK

Japan Society, Inc.

333 East 47th Street
New York, New York 10017
(1-212) 832-1155

OREGON

Japan Society of Oregon

c/o Portland Chamber of Commerce
221 N.W. Second Avenue
Portland, Oregon 97209
(1-503) 228-9411

TEXAS

Japan America Society of Dallas

666 Lakewood Blvd.
Dallas, Texas 75214
(1-214) 824-1119

The Japan-America Society of Houston

17 S. Briar Hollow Lane
Suite 301
Houston, Texas 77027
(1-713) 963-8376

UNITED STATES

Associated Japan-America Societies of The United States, Inc.

Japan House
333 East 47 Street
New York, New York 10017
(1-212) 832-1155

VERMONT

The Japan Society of Vermont, Inc.

Box 2372
Burlington, Vermont 05401
(1-802) 862-4095

WASHINGTON

The Japan-America Society of the State of Washington

One Union Square
Suite 3515
Seattle, Washington 98101
(1-206) 623-7900

ASSOCIATED AMERICA-JAPAN SOCIETIES OF JAPAN

The America-Japan Society, Inc., Tokyo
Room 370 Marunouchi Building,
4-1, Marunouchi, 2-chome
Chiyoda-ku, Tokyo 100 Japan
(03) 201-0780, 0980

The America-Japan Society of Kogoshima
Mr. Toshiyuki Fukuda
Society President
Minaminihon Broadcasting Company
5-25 Koraicho
Kagoshimashi 892 Japan

EDUCATIONAL AND RESEARCH ORGANIZATIONS/ STUDENT EXCHANGE PROGRAMS

Agnes Scott College

International Relations Program
Decatur, Georgia
(404) 373-2571

American Field Service
(15-18 year olds - summer and full year study programs)

2865 Dearwood Drive
Atlanta, Georgia 30315
(404) 768-7390

American Institute for Foreign Study
(Arranges for high school/college students/teachers to study abroad for 10 days to 8 weeks.)

100 Colony Square
Suite 200
Atlanta, Georgia 30361
(404) 872-9128

American Intercultural Student Exchange
(Arranges for Asian/European high school students to live with an American host family and attend local high school for one year.)

2091 Chesterfield Drive, N.E.
Atlanta, Georgia 30345
(404) 321-1761

Association of International Education, Japan

5-4-29 Meguro-ku, Komaba
Tokyo, Japan
(03) 467-3521

Brenau Professional College

Japanese Studies Program
6745 Peachtree Industrial Blvd.
Doraville, Georgia
(404) 446-2900

Carter Center for International Studies

Emory University
305 Administration Building
Atlanta, Georgia 30322
(404) 329-6031

The Center for International Studies - North Fulton High School

2890 North Fulton Drive, N.E.
Atlanta, Georgia 30305
(404) 233-1936

The Council of the Great City Schools

Atlanta Public Schools
International Youth Exchange Program
The David T. Howard Center
551 Houston Street, N.E.
Atlanta, Georgia 30012
(404) 522-3174

The Council on International Educational Exchange

205 East 42nd Street
New York, New York 10017

The Dean Rusk Center

University of Georgia
Athens, Georgia 30602
(404) 542-7875

Emory Program for International Studies

Emory University
Administration Building
Atlanta, Georgia 30343
(404) 329-6562

Emory University-Kobe University
(Medical Exchange Program)

Emory University
School of Medicine
1686 Clifton Road, N.E.
Atlanta, Georgia 30322
(404) 329-7504

Georgia Institute of Technology - Japanese Landscape/Architect

Dr. Mitchell Bring
225 North Avenue, N.W.
Atlanta, Georgia 30332
(404) 894-4885

Georgia Institute of Technology -Nissho Iwai Research Program

Contract Administration Office
225 North Avenue, N.W.
Atlanta, Georgia 30332
(404) 894-4810

Georgia Nihongo Gakko

Lindley Middle School
Pebble Brook Circle
Mableton, Georgia 30059
(404) 941-0533

Georgia State University

Department of Anthropology
University Plaza
Atlanta, Georgia 30303
(404) 658-2255

Georgia World Congress Institute

650 South Omni International
Atlanta, Georgia 30303
(404) 658-2950

Harvard University

Program on U.S.-Japan Relations
(1-617) 495-1890

Institute of International Education

National Office
809 United Nations Plaza
New York, New York 10017
(1-212) 883-8200

Southeast Region
133 Carnegie Way, N.E.
Suite 900
Atlanta, Georgia 30303
(404) 523-7216

Institute for International Studies & Training

Kotohira Kaikan, 1-2-8 Toranomon
Minato-ku
Tokyo 105, Japan
(03) 503-6621

International Association for the Exchange of Students for Technical Experience

Assoc. for International Practical Training
Southern Regional Office
6520 Powers Ferry Road
Suite 200
Atlanta, Georgia 30339-5468
(404) 955-0032

The International House of Japan, Inc.

11-16 Roppongi 5-chome Minato-ku,
Tokyo 106, Japan
(03) 470-4611

Japan Center for Information & Cultural Affairs

2-7-7 Kirakawa-cho, Chiyoda-ku
Tokyo. Japan
(03) 263-5041

John Hopkins School for Advanced International Studies

U.S.-Japan Study Center
(1-202) 785-6258

Keizai Koho Center

Japan Institute for Social & Economic Affairs
Otemachi Building, 6-1 Otemachi
1-chome, Chiyoda-ku
Tokyo 106, Japan
(03) 470-4611

The National Association for Foreign Student Affairs

1860 19th Street, N.W.
Washington, D.C. 20009

New York University

Center of Japanese Business and Economics
New York, New York 10003
(1-212) 598-2451

Oglethorpe University

International Studies Program
4484 Peachtree Road, N.E.
Atlanta, Georgia 30319
(404) 261-1441

The Southern Center for International Studies

3400 Peachtree Road, N.E.
Lenox Towers-Suite 1239
Atlanta, Georgia 30326
(404) 261-5763

Suzuki International Learning Center

3201 Cain Hill Place, N.E.
(404) 233-2128

2906 Andrews Drive, N.W.
(404) 261-1550

United Nations Association - Atlanta Chapter

429 Peachtree Street, N.E.
Room 4
Atlanta, Georgia 30308-3219
(404) 876-5977

U. S. Department of Education

Office of International Education
(1-202) 245-9691

West Georgia College

Japanese Studies Program
Carrollton, Georgia 30118
(1-404) 834-1345

World Future Society - Georgia Chapter

Donald G. Sherrill, President
Georgia State University
P. O. Box 1032
Atlanta, Georgia 30303
(404) 352-9200

GOVERNMENTAL AGENCIES

CITY OF ATLANTA
FULTON COUNTY

Office of The Mayor

Mayor Andrew Young
City Hall
68 Mitchell Street, S.W.
Atlanta, Georgia 30335
(404) 658-6100

Atlanta City Council

City Hall
68 Mitchell Street, S.W.
Atlanta, Georgia 30335
(404) 658-6356

Atlanta Police Bureau

175 Decatur Street, S.E.
Atlanta, Georgia 30335
(404) 658-6666

Atlanta Public School System

Dr. Alonzo Crim
Superintendent
224 Central Avenue, S.W.
Atlanta, Georgia 30335
(404) 659-3381

Atlanta Zoo

Grant Park Zoo, (404) 658-7059
Cyclorama, (404) 624-1071
800 Cherokee Avenue
Atlanta, Georgia 30315

Fulton County Board of Education

Superintendent James Fox
786 Cleveland Avenue, S.W.
Atlanta, Georgia 30315
(404) 768-3600

Fulton County Commissioners

165 Central Avenue, S.W.
Atlanta, Georgia 30335
(404) 572-2791

STATE GOVERNMENT

Office of The Governor

Governor Joe Frank Harris
State Capitol
Atlanta, Georgia 30334
(404) 656-1776

Department of Industry & Trade

Commissioner George Berry
(404) 656-3556
Deputy Commissioner J. Steed
(404) 656-3556
Tourist Information
(404) 656-3590
1400 North Omni International
Atlanta, Georgia 30303

Department of Public Safety

Colonel Hugh Hardison
(404) 656-6063
Driver's License Information
(404) 656-5890
959 Confederate Avenue, S.E.
Atlanta, Georgia 30371

Department of Revenue

Income Tax Division
Individual Income, (404) 393-7436
Corporation Information
(404) 656-4191
270 Washington Street, S.W.
Atlanta, Georgia 30334

Secretary of State

Secretary Max Cleland, (404) 656-2881
Capitol Tours & Special Events
(404) 656-7846
State Museum (404) 656-2846
243 State Capitol
Atlanta, Georgia 30334

State Board of Regents of The University System

244 Washington Street, S.W.
Atlanta, Georgia 30334
(404) 656-2200

State Department of Education

Dr. Charles McDaniels
Superintendent
2 Martin Luther King, Jr. Drive, S.W.
Atlanta, Georgia 30334
(404) 656-2800

World Congress Center

285 International Blvd., N.W.
Atlanta, Georgia 30303
(404) 656-7600

U. S. GOVERNMENT

Federal Information Center

Richard Russell Building
Atlanta, Georgia
(404) 221-6891

Immigration & Naturalization Service

Richard Russell Building
Atlanta, Georgia
(404) 221-5158

Income Tax Information & Assistance

275 Peachtree Street, N.E.
Atlanta, Georgia 30303
(404) 522-0050

Social Security Administration

730 Peachtree Street, N.E.
Atlanta, Georgia 30308
(404) 881-9600

U. S. Postal Services

Postal Rate Information
(404) 792-3200
Zip Code Information, (404) 221-5307

U. S. Weather Service

Travelers & Recreation Weather
Information, (404) 762-6151
To Report Severe Weather
(404) 762-1186

JAPANESE-AMERICAN LANGUAGE SCHOOLS/CLASSES

Atlanta/Fulton County Public Schools -Bilingual Program

Instructional Services

Center
2930 Forrest Hill Drive, S.W.
Atlanta, Georgia 30315
(404) 761-5411, Ext. 215

English as a Second Language - Intensive Courses

ESL Language Center
1706 Clairmont Road
Decatur, Georgia 30033
(404) 320-9667

Georgia Institute of Technology

Department of Modern Languages
Atlanta, Georgia 30332
(404) 894-2425

Provides intensive English course for foreign students, business and professional people

Japanese Language School (Georgia Nihongo Gakko)

Lindley Middle School
Pebble Brook Circle
Mableton, Georgia 30059
(404) 941-0533

Adult English and Japanese classes; children's Japanese classes; Tuesday, Friday, Saturday

"Let's Speak Japanese Society"

Don Smith
Brenau College
(404) 446-2900

Meets the third Thursday evening of the month. The only requirement to participate is to be able to speak conversational Japanese.

Dr. Don Smith

Brenau Professional College
Japanese Studies Program
6745 Peachtree Industrial Boulevard
Doraville, Georgia
(404) 446-2900
Japanese Language Classes.

JAPANESE/ENGLISH INTERPRETERS/TRANSLATORS

Atlanta Association of Interpreters and Translators, Inc.
1963 Plantation Lane
Atlanta, Georgia 30341
(404) 452-7407

Atlanta Public Schools
Central Presbyterian Church
201 Washington Street
Atlanta, Georgia 30303
(404) 659-0274
Howard Learning Center
551 Houston Street, N.E.
Atlanta, Georgia 30312
(404) 681-7900

Adult free English as a second language class.

Brenau Professional College
6745 Peachtree Industrial Blvd.
Atlanta, Georgia 30360
(404) 446-2900

Japanese Translations, Word-processing, and Language courses; English courses for Japanese; Flower arrangement classes.

Davis, Ms. Yuri
4801 Treelodge Parkway
Dunwoody, Georgia 30338
(404) 393-2459

Specializes in English and Japanese technical translation, interpreting. Also, provides private tutoring in both languages.

Georgia State University
Josette Coughlin
Department of Foreign Language
University Plaza
Atlanta, Georgia 30303
(404) 658-2265

Ishii, Ms. Setsuko
40 Peachtree Valley Road, N.E.
Apartment F-8
Atlanta, Georgia 30309
(404) 355-7162

Technical Interpretive/Translation and Tutorial Services.

Japan Services, Inc.
Mrs. Rachel Preston
1409 Peachtree Street, N.E.
Atlanta, Georgia 30309
(404) 872-8376

Interpreter, Translator, Japanese Printing Business/Public Relations Consultant, Japanese business and marketing services, Japanese tour service.

Language Bank - Georgia Institute of Technology
D. M. Smith Building
Atlanta, Georgia 30332
(404) 873-6170

Meruvi Inc. - Japanese Language Services
5506 Whitewood Court
Dunwoody, Georgia 30338
(404) 396-6469

Interpreting, translation, Japanese word processing, Japanese typesetting, telex and facsimile, consultant on doing business in Japan.

Parmelee, Ms. Yoko I.
380 Stanton Way
Athens, Georgia 30606
(1-404) 353-1423

Interpreter and Translator

Reynolds, Ms. Carol Tyson
613 Clairmont Circle
Decatur, Georgia 30033
(404) 634-8851

Technical Translator in Japanese and Chinese

Sato, Mr. Mas
6032 Walden Pond Road
Gainesville, Georgia 30501
(1-404) 983-3973

Interpreter and Translator

The Japan Society

Public Affairs Outreach Services
333 East 47th Street
New York, New York 10017
(1-212) 832-1155
TELEX: 234450 JSNY

Provides national database of Japanese-English Interpreters and Translators

Emergency Language Assistance

Atlanta Association of Interpreters and Translators:
(404) 452-7407; (404) 953-5114

ACIV Language Bank: (404) 378-2041

American Red Cross: (404) 296-0505

United Way Community Services (24-hour service): (404) 522-7370

LIBRARIES ON JAPAN

Asian Studies Newsletter Archives

c/o East Asian Collection
McKeldin Library
University of Maryland
College Park, Maryland 20742
(1-301) 454-2819

Georgia Institute of Technology

Professor Mitchell Bring
Architectural Library
Georgia Institute of Technology
Atlanta, Georgia 30332
(404) 894-3845

Oglethorpe University

Lowry Library
4484 Peachtree Road, N.E.
Atlanta, Georgia 30319
(404) 261-1441

West Georgia College

Professor Jonathan Goldstein
Carrollton, Georgia 30118
(1-404) 834-1345

JAPANESE RELIGIOUS SERVICES

Atlanta Independent Christian Church

Rev. Toshihiro Sahara
4453 Cypras Reach Lane
Stone Mountain, Georgia 30083

Atlanta Soto Zen Center

Corners of Oakdale & McClendon Avenues
Atlanta, Georgia 30307
(404) 873-3205

First Baptist Church

120 Hip Pocket Road
Peachtree City, Georgia 30269
(404) 487-8133

Westminster Japanese Church

Rev. Tsuneyoshi Takeda
1438 Sheridan Road, N.E.
Atlanta, Georgia 30324
(404) 938-9224

U.S.-JAPAN BUSINESS/TRADE RELATED ORGANIZATIONS

Advisory Council on Japan-U.S. Economic Relations
(1-202) 463-5489

Georgia Department of Industry & Trade
P.O. Box 1776
Atlanta, Georgia 30301
(404) 656-3575

Tokyo Branch
6-13 Roppongi, 7-chome Minato-ku,
Tokyo 106, Japan
(03) 403-9541

Japan Economic Institute
100 Connecticut Avenue, N.E.
Washington, D.C. 20036
(1-202) 296-5633

Japan External Trade Organization (JETRO)
Mr. Steve Hirano, Director
229 Peachtree Street, N.E.
Suite 2011
Atlanta, Georgia 30303
(404) 681-0600

U.S. Department of Commerce
Office of Public Affairs & International Trade
(1-202) 377-3808

U.S. Department of State
Office of Japanese Affairs
(1-202) 632-3152

U.S. Friendship Commission
Washington, D.C.
(1-202) 673-5295

U.S.-Japan Advisory Commission
(1-202) 293-6366

U.S.-Japan Culture Center
(1-202) 333-6760

U.S.-Japan Foundation
(1-212) 688-6363

INTERNATIONALLY RELATED ORGANIZATIONS AND AGENCIES

The American Chamber of Commerce-Japan
Fukide Building #2 2-4-21 Toranomon
Minato Ku, Tokyo 105, Japan

Asian Council of Georgia
4889 Village Creek Drive
Atlanta, Georgia 30338
(404) 377-0711

The Asia Society
New York Office:
725 Park Avenue
New York, New York 10021
(1-212) 288-6400

Washington Office:
1785 Massachusetts Avenue, N.W.
Washington, D.C. 20036
(1-202) 387-6500

Atlanta Chamber of Commerce
Carol Martel, Director
International Department
1300 North Omni International
Atlanta, Georgia 30303
(404) 521-0845

Atlanta Committee on Foreign Relations
Peachtree Center, South Tower
225 Peachtree Street, N.E., Suite 1008
Atlanta, Georgia 30303
(404) 221-0151

Atlanta Council for International Visitors

Faye McKay, Executive Director
Georgia Institute of Technology
D. M. Smith Building
Atlanta, Georgia 30332
(404) 873-6170

Atlanta Council for International Organizations

P. O. Box 56232
Atlanta, Georgia
(404) 320-9667

Atlanta Convention and Visitor Bureau

Louise Suggs, International Director
233 Peachtree Street, N.E.
Suite 200
Atlanta, Georgia 30303
(404) 659-7560

Atlanta Sister Cities Committee

432 Cherokee Avenue, S.E.
Atlanta, Georgia 30312
(404) 577-3408

Butler Street YMCA

International Program
22 Butler Street, N.E.
Atlanta, Georgia 30303
(404) 650-8085

Cobb International Center

Economic Development Group
380 Interstate North
Suite 175
Atlanta, Georgia 30339
(404) 953-4474

Georgia Teachers of English to Speakers of Other Languages (TESOL)

Mr. George J. Kelly, President
Georgia State University
University Plaza
Atlanta, Georgia 30303
(404) 658-3650

Georgia Tech YMCA

International Program
756 West Peachtree Street, N.W.
Atlanta, Georgia 30308
(404) 894-4590

International Cultural Center, Inc.

268 Rumson Road, N.E.
Atlanta, Georgia 30305
(404) 231-2268

Japanese Chamber of Commerce (Shokokai)

235 Peachtree Street, N.E.
Suite 2211
Atlanta, Georgia 30303
(404) 688-0004

Southern Center for International Studies

320 West Paces Ferry Road, N.W.
Atlanta, Georgia 30305
(404) 261-5763

U. S. Department of Commerce

International Trade Administration
1365 Peachtree Street, N.E.
Atlanta, Georgia 30309
(404) 881-4872

Women's Chamber of Commerce

International Committee
2844 Guinevere Drive
Atlanta, Georgia 30345
(404) 292-8283

World Trade Club

240 Peachtree Street, N.E.
Atlanta, Georgia 30303
(404) 525-4144

YWCA

World Mutual Service Committee
100 Edgewood Avenue
Suite 824
Atlanta, Georgia 30303
(404) 522-9922

ATLANTA HISTORIC SITES, MUSEUMS, CULTURAL AND RECREATIONAL FACILITIES

(Not inclusive)

Academy Theatre, 581 Peachtree Street, (404) 892-0880 - produces both original and established plays. **Academy Children's Theatre** produces classic and contemporary plays for children.

Alliance Theatre, Atlanta Memorial Arts Center, 1280 Peachtree Street, N.E., (404) 892-PLAY - produces Shakespearean, Broadway, musical and other established plays.

Art Institute of Atlanta, 3376 Peachtree Road, N.E., (404) 266-1341 - offers an associate of arts degree primarily in commercial art.

Atlanta Ballet, 477 Peachtree Street, N.E., at Pine Street, (404) 873-5811 - the nation's oldest continually operating professional ballet company; performs classical and modern ballet at the Atlanta Civic Center and the Fox Theatre.

Atlanta Botanical Garden, Piedmont Park, Piedmont Avenue at The South Prado entrance, (404) 876-5858 - The gardens include a conservatory with tropical plants and orchids, a Japanese garden, a formal herb garden, a rose garden, vegetable and fruit gardens, and a home landscape garden. Open Monday-Saturday. No charge.

Atlanta Civic Center, 395 Piedmont Avenue, N.E., (404) 523-1879 - Owned by the city of Atlanta, exhibitions, concerts and other performances are held throughout the year.

Atlanta/Fulton County Stadium, 521 Capitol Avenue, S.W., (404) 522-1967 - home turf for Atlanta Braves NL Baseball (52,000 seats) and Atlanta Falcons NFL Football (60,700 seats). Concerts and other special events are held at the stadium. Atlanta Braves: (404) 522-7630; Atlanta Falcons: (404) 588-1111.

Atlanta-Fulton Library, One Margaret Mitchell Square, (404) 688-4636 - Open daily.

Atlanta Historical Society headquarters in McElreath Hall (404/261-1837), adjacent to **Swan House** (404/233-2991) and **Tullie Smith House** (404/262-1067), 3099 Andrews Drive, N.W. - comprised of 22 acres containing gardens, woods, a trail and the Swan Coach House, which is a restaurant, art gallery and gift shop. The headquarters maintains an archives and library on Atlanta history. The Swan House is an elaborate 1929 mansion, made of Italian marble and filled with antiques from England and other countries. The 1840 Tullie Smith House is a plantation-style farmhouse where you can see demonstrations of weaving, quilting and blacksmithing. No admission for McElreath Hall; admission to the Swan House and the Tullie Smith House.

Atlanta Memorial Arts Center, 1280 Peachtree Street, N.E., at 15th Street, (404) 892-3600 - houses the Atlanta Arts Alliance, the Atlanta Children's Theatre, the Atlanta College of Art (a bachelor of fine arts degree and a continuing education program) and the Atlanta Symphony (holds approximately 25 subscription concerts from September - May).

Atlanta State Farmers Market, 16 Forest Parkway, Forest Park, Exit 78 off I-75 South, (404) 366-6910 - ranks among the largest in the world with 146 acres. It serves as both retail outlet for Georgia Farmers and distribution center for wholesalers. Fresh vegetables, fruits, eggs and smokehouse meats, along with plants and shrubbery are on sale 24-hours daily, seven days a week. No charge.

Atlanta Zoo, Grant Park, Georgia and Cherokee Avenues, S.E., (404) 658-7059 - houses one of the country's largest reptile collections, as well as elephants, rhinos, big cats, monkeys, apes, bears and other creatures. Open daily from 10 a.m. until 5 p.m. Admission charge.

Callanwolde Fine Arts Center, 980 Briarcliff Road, N.E., (404) 872-5338 - located in a restored mansion previously the estate of Charles Howard Candler (son of the founder of The Coca-Cola Company, Asa G. Candler) and now owned by DeKalb County. Callanwolde is a teaching and presentation of the arts center with classes in pottery, stained glass, textile arts, photography, writing and poetry, cartooning, calligraphy, painting and drawing, music, drama and classical/modern ballet. The arts center is the headquarters for the Callanwolde Young Singers.

Carl Ratcliff Dance Theatre, in Phipps Plaza, 3500 Peachtree Road, N.E., at Lenox Road, (404) 266-0010 - Founded in 1970, its specialty is modern dance. Season: September-June.

Center for Puppetry Arts, 1404 Spring Street, N.W., at 18th Street, (404) 873-3391 - performances by the resident Vagabond Marionettes and visiting puppetry groups from around the world. It offers a school of puppetry for children and adults, two permanent art galleries, a museum of the South's largest permanent collection of puppets, two theatre spaces and a resident troupe of puppets.

Chastain Arts and Crafts Center, 135 W. Wieuca Road, N.W., in Chastain Park, (404) 252-2927 - specializes in handcrafts and visual arts and features its own gallery. Provides a broad range of classes for children, young adults (12 and older) with learning disabilities, and adults.

The Cyclorama in Grant Park, 537 Park Avenue, S.E., (404) 624-1071 - Presented to the city of Atlanta in 1898 by a group of artists in Wisconsin, the 50-feet-by-400-feet circular painting depicts the Battle of Atlanta. Later, a sculpted, three-dimensional piece was added, including figures of soldiers, horses, cannons and railroad tracks.

Dancers' Collective of Atlanta, 1105 Euclid Avenue, N.E., in Little Five Points, (404) 586-DANS - consists of Atlanta choreographers who develop new dance performances; offers classes and workshops.

Decatur-DeKalb Civic Ballet, at Decatur School of Ballet, 102 Church Street, Decatur, (404) 378-3388 - Established in 1951, this group performs contemporary and classical ballet, and jazz dance.

Emory University Museum, Sociology Building at Emory University, North Decatur Road at Clifton Road, N.E., (404) 329-7522 - an archaeology and natural history museum, featuring collections from all over the world.

Federal Reserve Bank Monetary Museum, 104 Marietta Street, N.W., near Spring Street in the central business district, (404) 586-8500 - located on the third floor of the U.S. Sixth District Federal Reserve headquarters. The exhibit traces the monetary history.

Fernbank Science Center, 156 Heaton Park Drive, N.E., Decatur, (404) 378-4311 - This museum of the sciences features a 65-acre Fernbank Forest, a planetarium, an observatory, exhibits and displays, a 15,000-volume library, botanical gardens, a meteorological lab and an electron microscope lab.

Fine Art Galleries of Buckhead, 273 East Paces Ferry Road, (404) 233-1462 or 266-0924 - feature a wide range of art, from folk art to 19th- and 20th-century American and European paintings to contemporary art and fine art crafts. Each of the art galleries are within walking distance of each other and include the following: Atlanta Gallery of Photography, Olympia Galleries, Ltd., Alexander Gallery of Folk Art, Eve Mannes Gallery, David R. Ramus, Ltd. and Heath Gallery.

Fox Theatre, 660 Peachtree Street, N.E., (404) 881-1977 - Constructed in 1929, the 4,000-seat auditorium is fashioned after a Moorish courtyard. The Fox was originally conceived as a Shrine temple with twinkling stars, sunrise and sunset, and moving clouds but operated mainly as a movie theatre. It is one of the few theatres in the country to be listed as a National Landmark. Year-round entertainment is held at the Fox which includes ballets, concerts, plays, and film festivals. Tours can be arranged through the Atlanta Preservation Center, (404) 522-4345.

Georgia Department of Archives and History, 330 Capitol Avenue, S.W., near I-75 & 85 and I-20 connector, (404) 656-2350 - stores Georgia's historical and genealogical records, maps and other documents.

Georgia State Capitol, Capitol Hill/Washington Street, (404) 656-2844 - Constructed in 1889, the Capitol houses the Georgia State Museum of Science and Industry, Hall of Flags and Hall of Fame with busts of famous

Georgians, the Governor's executive offices and the House and Senate chambers/offices. In 1958, the dome of the Capitol was covered with gold leaf mined in Dahlonega, Georgia (site of the nation's first gold rush in 1828). In 1983, the dome was resheathed with gold leaf from Dahlonega.

Georgia World Congress Center, 285 International Boulevard, S.W., (404) 656-7600 - Georgia's largest convention center and the nation's largest single-level exhibition hall. In the 1,950 seat auditorium, there is a six-channel multi-lingual simultaneous interpretation system.

Gone With The Wind Museum, 152 Nassau Street, N.W., Atlanta, (404) 522-1526 - The World's most comprehensive *Gone With The Wind* private library, which includes 53 first editions, letters, original book reviews, posters and programs from the various world premiers. Opened Monday-Friday 10 a.m.-8 p.m., Saturday-Sunday, Noon until 6 p.m. Admission charge.

Governor's Mansion, 391 West Paces Ferry Road, N.W., (404) 261-1776 - The Greek Revival mansion was constructed in the 1960s and financed by private donors. Its furnishings include an excellent collection of antiques, primarily of the early 19th-century American. Open Tuesday-Thursday, 10-11:45 a.m. No charge.

The High Museum of Art, 1280 Peachtree Street, N.E., (404) 892-4444 - Displays galleries of 17th- and 18th-century European paintings, 19th-century European and American paintings, antique and modern American furniture, African artworks, pottery, sculptures and other art collections. Also, workshops and presentations are available.

Martin Luther King, Jr., Memorial, Historic District and Center for Social Change, 449 Auburn Avenue, N.E., at Boulevard Avenue, (404) 524-1956 - Led by King's widow, Ms. Coretta Scott King, the center serves as a comprehensive resource, study and training facility. The **Ebenezer Baptist Church,** 407 Auburn Avenue (donation requested), **MLK's Birthplace,** 501 Auburn Avenue (admission charge) and **Freedom Hall Complex** have been declared National Historical Landmarks.

Rhodes Memorial Hall, 1516 Peachtree Street, N.W., near Pershing Point, (404) 656-6576 - Built in 1903 for A. G. Rhodes, founder of Rhodes Furniture, the Victorian-Romanesque house was left to the State of Georgia in 1930 and used for storing of the state's archives until the construction of the present archives and history building in 1965. Guided tours are available at no charge.

Theatre of the Stars, 4469 Stella Drive, N.E., (404) 252-8960 - produces established musicals, featuring well-known professional actors.

Toy Museum of Atlanta, 2800 Peachtree Road, N.E., in Buckhead, (404) 266-8697 -Located in a Victorian mansion, an international collection of over 100,000 toys is displayed. Open daily, admission charge.

Wren's Nest, 1050 Gordon Street, S.W., (404) 753-8535 - home of Joel Chandler Harris, who wrote the Uncle Remus stories. Open daily, admission charge.

Outside of Atlanta

Big Shanty Museum, on Old U.S. 41 in the heart of Kennesaw, 25-30 miles northwest of Atlanta, (404) 427-2117 - displays artifacts from the Civil War. Open daily, admission charge.

Callaway Gardens, Pine Mountain, Georgia, (404) 688-8542 (direct dial) - provides year-round family entertainment, featuring a $5 million horticultural center, a 2,500-acre garden which includes over 700 varieties of azaleas, three golf courses, a beach and several lakes, bike trails, housing and restaurant facilities and various other types of recreation and entertainment. Callaway Gardens, located 70 miles south of Atlanta, is owned by a non-profit foundation. After-tax profits go back to the foundation for horticultural and educational maintenance. Admission charge.

Historic Roswell, approximately 25 miles north of Atlanta, (404) 992-1665 - Group tours can be arranged for this community founded in 1830. The tours include several pre-Civil War houses.

Kennesaw Mountain National Battlefield Park, on Ga. 120, approximately 25 miles north of Atlanta via I-75, (404) 427-4686 -This 3,000 acre park was the site of one of the most important Civil War battles. A small museum, Civil War artifacts, four hiking trails ranging from two to 14 miles, and a picnic area are available to visitors.

Lake Allatoona, I-75 North, near Cartersville, approximately 30 miles north of Atlanta, (404) 221-6715 - This 11,860-acre lake is operated by the Army Corps of Engineers. The facility is open to the public and includes two marinas, four boat launching ramps and landings, public beaches, camping areas and several recreation areas.

Lake Sidney Lanier, I-85 North and Ga. 365, near Buford, approximately 35 miles northeast of Atlanta, (404) 221-6715 - This 47,200-acre lake is open to the public and includes five marinas and 10 public parks. The state-owned Lake Lanier Islands offer an 18-hole golf course, beaches, stables, lakefront convention center and housing facilities for rent.

Six Flags Over Georgia, I-20 West, (404) 948-9290 - This 331-acre park offers a variety of rides, shows and concessions. Open mid-March through late November, admission charge.

Stone Mountain Memorial Park, U.S. 78 (Stone Mountain Freeway), (404) 469-9831 -This 3200-acre park is operated by the state of Georgia and includes numerous historical and recreational attractions such as several museums, a skylift, a large lake, a five-mile scenic railroad and a stern-wheeler riverboat. It surrounds the world's largest granite outcropping.

Vinings Village, 9 Mountain Street, Vinings, 30339, (404) 436-1694 - A tiny township composed mostly of antique shops, a quaint teahouse and a novel poly-snow (plastic ski slope). Hours vary. Admission Free.

OTHER RESOURCES

(Not Inclusive)

Bonsai Society

355-4022

Japanese Accessories

Games -
(Pachinko Machines)

Pachinko House
3410 Clairmont Road at Buford Highway
Atlanta, Georgia 30309
(404) 321-4658

Hardware/Utensils -
(Japanese Woodworking Tools)

Highland Hardware
1034 N. Highland Avenue, N.E.
Atlanta, Georgia 30306
(404) 872-4466

Home -
(Furniture, Art)

Banner's Inc.
1. Phipps Plaza
   3500 Peachtree Road
   Atlanta, Georgia 30326
   (404) 261-2944
2. Perimeter Mall
   4400 Ashford Dunwoody
   Atlanta, Georgia 30346
   (404) 393-6720

Kamado -
(Japanese Barbeque/Smoker)

Pachinko House
3410 Clairmont Road at Buford Highway
Atlanta, Georgia 30309
(404) 321-4658

Japanese Bakery

Joli-Kobe
5600 Roswell Road, N.E.
Atlant,a Georgia 30342
(404) 843-3257

Japanese Calligraphy

Mrs. Yoko Chanoki
3046 Vinings Ferry Drive
Atlanta, Georgia 30339
(404) 432-8730

Kiyo Kato
1013 Seville Drive
Clarkston, Georgia 30021
(404) 296-6229

Japanese Cooking Consultants

(Classes and Demonstrations)

Ms. Sara Blevins: 977-2757
Ms. Yoko Chanoki: 432-8730

Japanese Craftsmanship

Sahara
4453 Cypress Ridge Lane
Stone Mountain, Georgia 30083
(404) 981-5167

Japanese Flower Arrangement (Ikebono)

Ikebono International, Atlanta Chapter
Mrs. Shelby Whitson
(404) 955-8762

Instructors of Ikebono

Mrs. Mary Beth Kelly
(404) 928-0410
(Classes held monthly at The Atlanta Botanical Garden)

Mr. Hinoko Kono
(404) 987-0298

Professor Mary C. Takahashi
(404) 262-7631
(Private classes by appointment only)

Schools of Ikebono

Brenau Professional College
6745 Peachtree Industrial Blvd.
Atlanta, Georgia 30360
(404) 446-2900
(Classes held year round)

Ikebono Society South Five
Mrs. F. L. Edmonson
(404) 261-1779

Kofu Georgia Association
Mrs. Shelley Whitson
(404) 955-8762

Ohara Georgia Association
Mrs. Momoko Rose
(404) 395-8017

Sogetsu Georgia Association
Mrs. Gilbert Finney, Director
(404) 427-8322

Futons

Dream Maker Futons
Little Five Points
1144 Euclid Avenue
Atlanta, Georgia 30307
(404) 523-1098

Japanese GO Clubs

Atlanta International GO Association
Terry Miller
(404) 294-4133

Emory GO Club
(404) 320-1546

Japanese Garden Associations

Bob McGinnis, President
348 Sterling Street, N.E.
Atlanta, Georgia 30307
(404) 525-8515

Japanese Grocery Stores

Asian Trading Company, Ltd.
1395 Columbia Drive
Decatur, Georgia 30032
(404) 284-5255

Big A Farmer's Market
1395 Columbia Drive
Decatur, Georgia
(404) 284-5255

CALCO of Atlanta
2059 Manchester Street, N.E.
Atlanta, Georgia 30324
(404) 874-3650

Chan and Chan Market
2348 Old Stone Mountain
Chamblee, Georgia
(404) 452-7405

Chinatown Store, Inc.
2741-2743 LaVista Road
Decatur, Georgia
(404) 321-3452

DeKalb Farmers Market
640 Medlock Drive
Decatur, Georgia
(404) 325-8730

First Oriental Market
2595 N. Decatur Road
Decatur, Georgia
(404) 377-6950

Japanese Food Corp.
7575 Ponce de Leon Circle
Doraville, Georgia 30340
(404) 448-0078

Kimlon Oriental Grocery & Gift
341 Cobb Parkway, N.E.
Marietta, Georgia 30062
(404) 424-7115

Main Street Grocery
528 Main Street
Forest Park, Georgia 30050
(404) 366-4186

Makoto Grocery
1067 Oaktree Road
Decatur, Georgia 30032
(404) 636-8740

Nippan Daido U.S.A., Inc.
2390 Carroll Avenue
Chamblee, Georgia
(404) 455-3846

Oriental Food Store
4185 Jonesboro Road
Forest Park, Georgia 30050
(404) 366-5284

Oriental Supermarket
2581 Piedmont Road, N.E.
Atlanta, Georgia 30324
(404) 266-0362

Satsumaya Japanese Oriental
Grocery Store
5271-B Buford Highway
Doraville, Georgia
(404) 458-5535

World Chinese Mart
2579 N. Decatur Road
Decatur, Georgia 30033
(404) 377-6285

Japanese Landscaping

Sahara
4453 Cypress Ridge Lane
Stone Mountain, Georgia 30083
(404) 981-5167

Georgia Institute of Technology
Dr. Mitchell Bring
225 North Avenue, N.W.
Atlanta, Georgia 30332
(404) 894-4885

Japanese Martial Arts

A Tai Chi Association
(404) 321-0706

Aikido Center of Atlanta
(404) 237-0393

Georgia Karate Academy
(404) 962-3505

Bujinkan Ninjutsu Training
(404) 938-8416

Choi Karate
(404) 428-7800

Georgia Karate Academy
(404) 962-3505

Georgia Kendo Alliance
Bill Holt
(404) 942-5303
or
Chuck Young
(404) 266-2410

National Karate Club, Inc.
(404) 922-1999

The West Georgia College Judo Club
Bill Holt
(404) 942-5303

U.S. Taido Associates
5091-E Buford Highway
Northwoods Plaza
Doraville, Georgia 30340
(404) 455-3889

Japanese Photographer

Kiyo Kato
1013 Seville Drive
Clarkston, Georgia 30021
(404) 296-6229

Japanese Restaurants

August Moon
5715 Buford Highway
Atlanta, Georgia 30343
(404) 455-3464

Benihana of Tokyo
1. 2143 Peachtree Road, N.E.
   Atlanta, Georgia 30309
   (404) 355-8565
2. 229 Peachtree Street, N.E.
   Atlanta, Georgia 30303
   (404) 522-9627

Gojinka Japanese Restaurant
5269 Buford Highway
Atlanta, Georgia
(404) 458-0558

Hama
2390 Carroll Avenue
Chamblee, Georgia 30341
(404) 451-9883

Hashigushi Restaurant
3000 Windy Hill Road
Marietta, Georgia 30067
(404) 955-2337

Ichiban Japanese Restaurant
151 Ellis Street, N.E.
Atlanta, Georgia
(404) 659-7607

Kamon Japanese Restaurant
4343 Dunwoody Park Drive
Atlanta, Georgia 30338
(404) 396-3780

Kiyo Ya
1447 Peachtree Street, N.E.
Atlanta, Georgia 30309
(404) 872-1143

Kobe Steaks Japanese Restaurant
5600 Roswell Road, N.E.
Atlanta, Georgia 30342
(404) 256-0810

Kusumoto Restaurant
2467 Cobb Parkway
Smyrna, Georgia 30080
(404) 956-7697

Nakato Japanese Restaurant
1893 Piedmont Road, N.E.
Atlanta, Georgia
(404) 873-6582

Japanese Travel Services

M. Y. Travel and Services
2900 Chamblee-Tucker Road, Building 16
Atlanta, Georgia 30341
(404) 451-3663

Japanese Trees/Shrubbery

Gardens by Bath
1826 Trotters Lane
Stone Mountain, Georgia 30087
(404) 934-7974

Japanese Typesetting/Word Processing

Japan Services, Inc.
1409 Peachtree Street, N.E.
Atlanta, Georgia 30309
(404) 872-8376

Meruvi, Inc.
5506 Whitewood Court
Dunwoody, Georgia 30338
(404) 396-6469

Mr. Don Smith
Brenau Professional College
6745 Peachtree Industrial Blvd.
Atlanta, Georgia 30360
(404) 446-2900

Japanese/American Women's Organizations

Hanamizuki
(Japanese Women's Garden Club)

Ms. Rachel Preston, President
(O) (404) 872-8376
(H) (404) 237-5545

Tomodachi Club
Mrs. Carollee Balloun: (404) 237-8419
Mrs. Masako Inoue: (404) 325-6920

Shokokai
(Japanese Chamber of Commerce)

Mr. Hiro Araki, President
Mitsui and Company (USA), Inc.
230 Peachtree Street, N.E.
Suite 1916
Atlanta, Georgia 30303
(404) 688-0700

TRANSPORTATION

Airport

Hartsfield-Atlanta International Airport, I-85, approximately 10 miles south of downtown Atlanta, (404) 766-2772/768-4118. There are several means of public transportation to and from the airport. Check with the Ground Transportation Area at the west end of the main terminal building. If you require transportation to the airport, contact MARTA buses, (404) 586-5288; Northside Airport Express, (404) 455-1600; Atlanta Airport Shuttle, (404) 766-5312; Gray Line of Atlanta, (404) 767-0594; or the various taxi companies.

Domestic Flights: Atlantic Southeast Airlines, (404) 996-4562; Frontier Airlines, (404) 523-5487; Northwest Airlines, (404) 577-3271; Ozark Airlines, (404) 688-9565; Piedmont Airlines, (404) 681-3100; Republic Airlines, (404) 762-5561.

Domestic and International Flights: Delta Air Lines, (404) 765-5000; Eastern Airlines, (404) 435-1111; Northwest Orient, (404) 577-3271.

International Flights to the Orient: China Airlines, ask operator for WX-6935 (no charge); Japan Air Lines, toll-free (1-800) 525-3663 or local (404) 521-1616; Korean Airlines, local (404) 522-7461; Philippine Air Lines, toll-free (1-800) 227-4600; Singapore Airlines, toll-free (1-800) 421-3133; Thai Airways International Ltd., toll-free (1-800) 426-5204.

Ground Transportation

BUS SERVICE - Greyhound Bus Lines, (404) 522-6300; Southeastern Stages, (404) 874-2741; and Trailways Bus System, (404) 688-8010.

MARTA - Operates a partially completed rapid-rail system and bus system throughout metro Atlanta, (404) 522-4711.

TAXI SERVICE - Atlanta has more than 50 different taxi companies. Check the phone directory.

TRAIN SERVICE - Amtrak, Peachtree Station, 1688 Peachtree Street, N.W., Atlanta, Georgia 30309, (404) 688-4417.

Sightseeing Tours of Atlanta: AAtlanta Tours, 5915 Trammel Road, Morrow (404) 762-7991; American Coach Lines, Inc., P.O. Box 646, Norcross, Georgia, (404) 449-1806; American Sightseeing Atlanta, 1454 Willingham Drive, (404) 768-7676; Arnel Tours, 229 Peachtree Street, N.E., (404) 659-4335; Gray Line of Atlanta, 3745 Zip Industrial Boulevard, (404) 767-0594; Metropolitan Atlanta Rapid Transit Authority, 62-A Peachtree Street, Atlanta, (404) 586-5311; National Transportation Services, P.O. Box 11388, Atlanta, Georgia 30310, (404) 758-8111; North Georgia Bus Lines, Inc., 1160 Allene Avenue, S.W., 30525, (404) 753-2160-outside Georgia (1-800) 241-5293; Northside Charterways, 1454 Willingham Drive, East Point, (404) 768-7600; Trailways, Inc., 230 Spring Street, N.W., (404) 577-2325; and Wheels Across Atlanta, 1385 Niskey Lake Road, (404) 346-1032.

ADVERTISEMENTS

ADVERTISERS

A special thanks to each of the below listed Corporate Members who contributed toward the publishing of the 1985-86 Directory.

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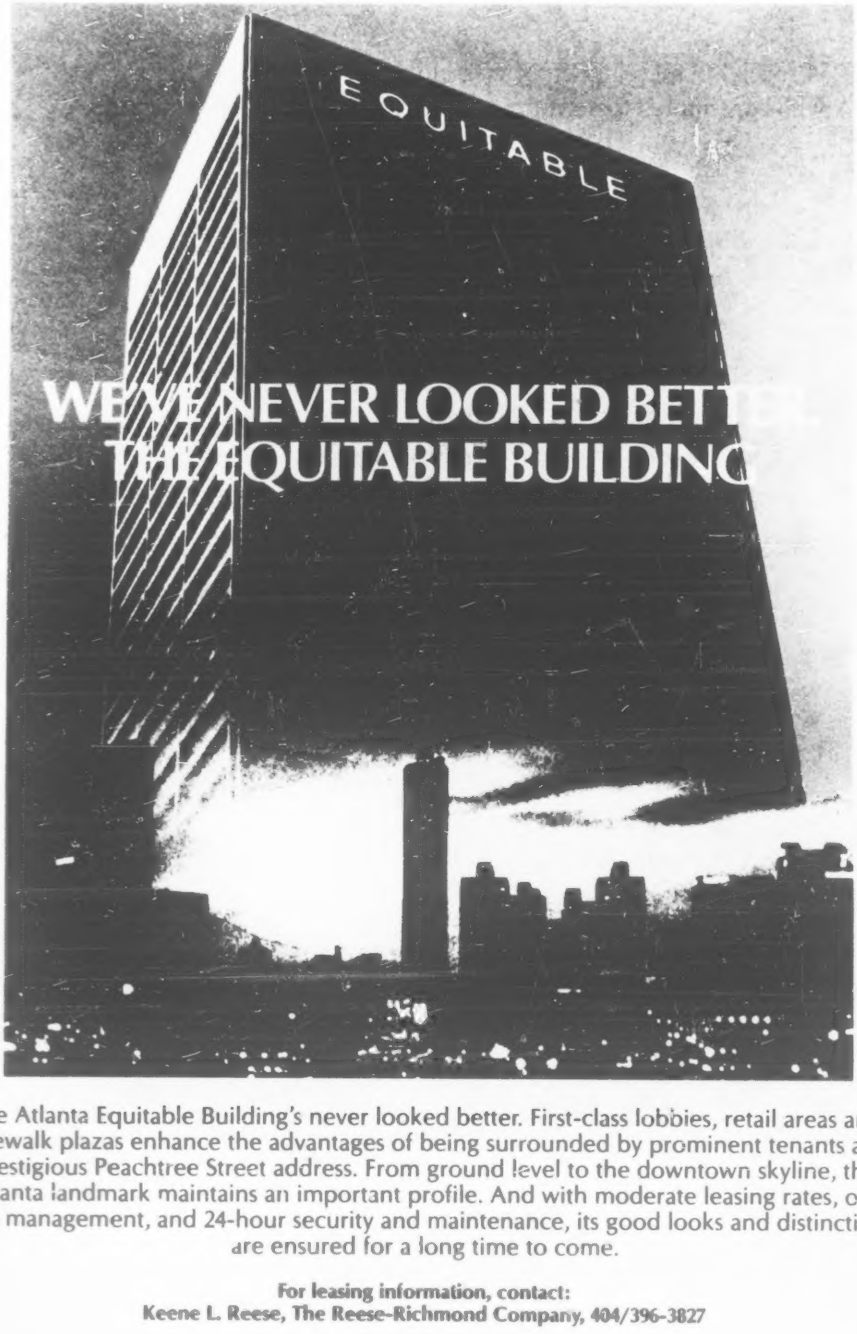

The Atlanta Equitable Building's never looked better. First-class lobbies, retail areas and sidewalk plazas enhance the advantages of being surrounded by prominent tenants at a prestigious Peachtree Street address. From ground level to the downtown skyline, the Atlanta landmark maintains an important profile. And with moderate leasing rates, on-site management, and 24-hour security and maintenance, its good looks and distinction are ensured for a long time to come.

For leasing information, contact:
Keene L. Reese, The Reese-Richmond Company, 404/396-3827

The EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES
Michael Destro, Building Manager, 2727 The Equitable Building, 100 Peachtree Street, N.W., Atlanta, GA 30303, 404/577-1113

Ask YKK. Ask TDK. Ask Murata. C&S is The Japanese Bank in Georgia.

C & Sは，アメリカ東南部にある日本の会社に対して，1967年に融資一番乗りをしました。それ以来，C & Sは，東南部にある日本の各社の，アメリカでの優先取引銀行となっています。

この好評の基はと申しますと，各社それぞれの必要に応じたお取引をさせていただき，国際金融と，アメリカ東南部の市場に関する専門的な知識を提供させていただいているからなのです。更に，日本の会社の必要性に応じたサービスをさせていただいているからなのです。

ジョージア州にある128の支店と，世界中にある銀行連絡網をもつ当店は，いつでも，どこででも，皆様のお役に立つことが出来ます。

当店の国際局は，日本やアジア諸国と，20年余も取引をして参りました。

我が経済開発局は，アメリカの主要銀行の中で最も経験が深く，オフィスや工場施設の開設に関して，無料，秘密厳守で御相談に応じます。

ジョージアに貴社が開設される時は，当店の新規のお客様担当局が，社員の皆様の移転がスムーズに行くように，情報を提供し，個人的なお手伝いも致します。

ですから，当店についてのもっとくわしい情報と，どのようなサービスをしてさしあげられるかを，くわしくお知りになりたい方は，私共の取引先でお確かめ下さい。そして，私共に御相談下さい。お待ち申し上げております。C & Sはあなたの銀行です。

連絡先：

W. Glenn Cornell
Vice President,
Economic Development
(404) 581-4866

James Lientz
Senior Vice President,
International Department
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C&S

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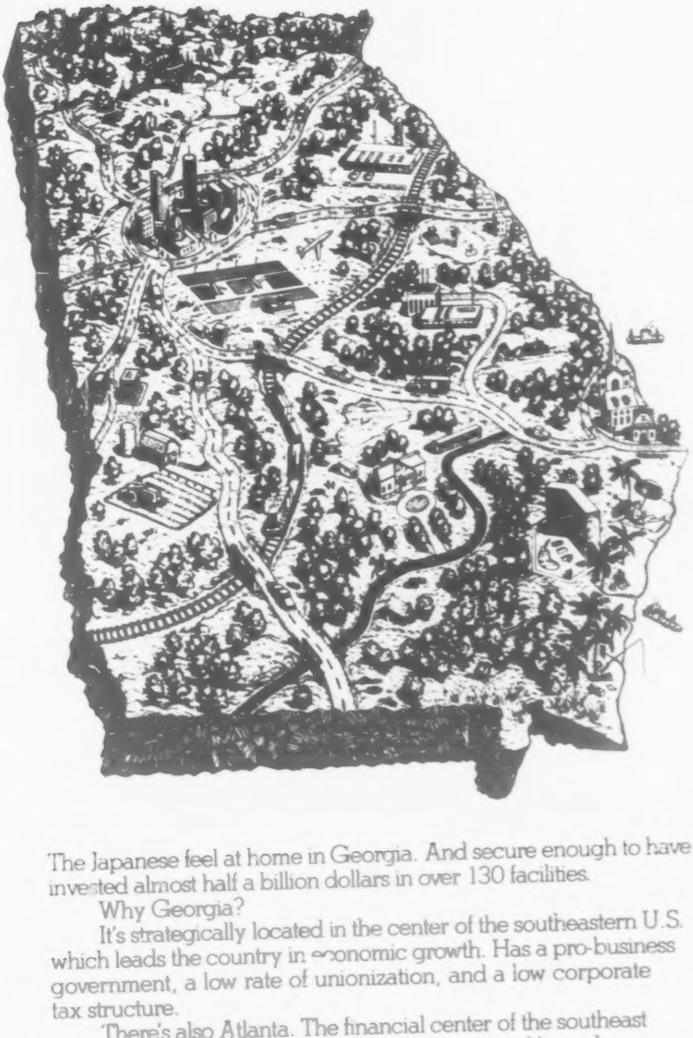
JAPAN



The Japanese feel at home in Georgia. And secure enough to have invested almost half a billion dollars in over 130 facilities.

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It's strategically located in the center of the southeastern U.S. which leads the country in economic growth. Has a pro-business government, a low rate of unionization, and a low corporate tax structure.

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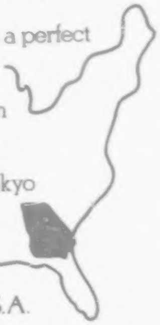
And the temperate Georgia climate provides a perfect recreational environment year round.

For further information on why the Japanese feel at home in Georgia and why your corporation will too, call or write: Mr. Day Lancaster, Director, GEORGIA DEPARTMENT OF INDUSTRY AND TRADE, 6-13 Roppongi, 7-Chome Minato-Ku, Tokyo 106, Japan. Telephone 03 403 9541.



GEORGIA U.S.A.

The Strategic Market

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Savannah

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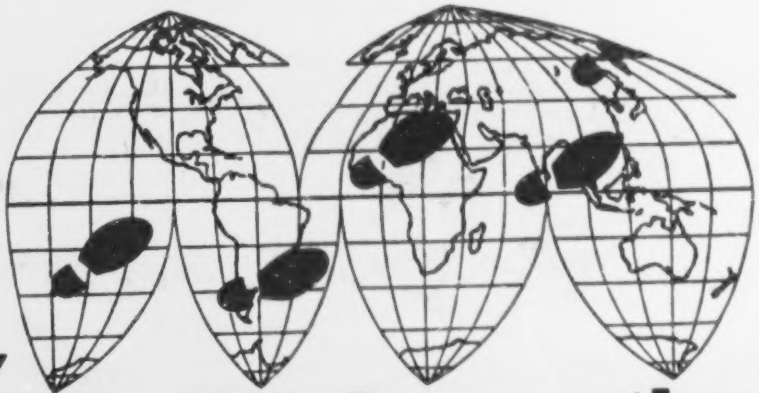

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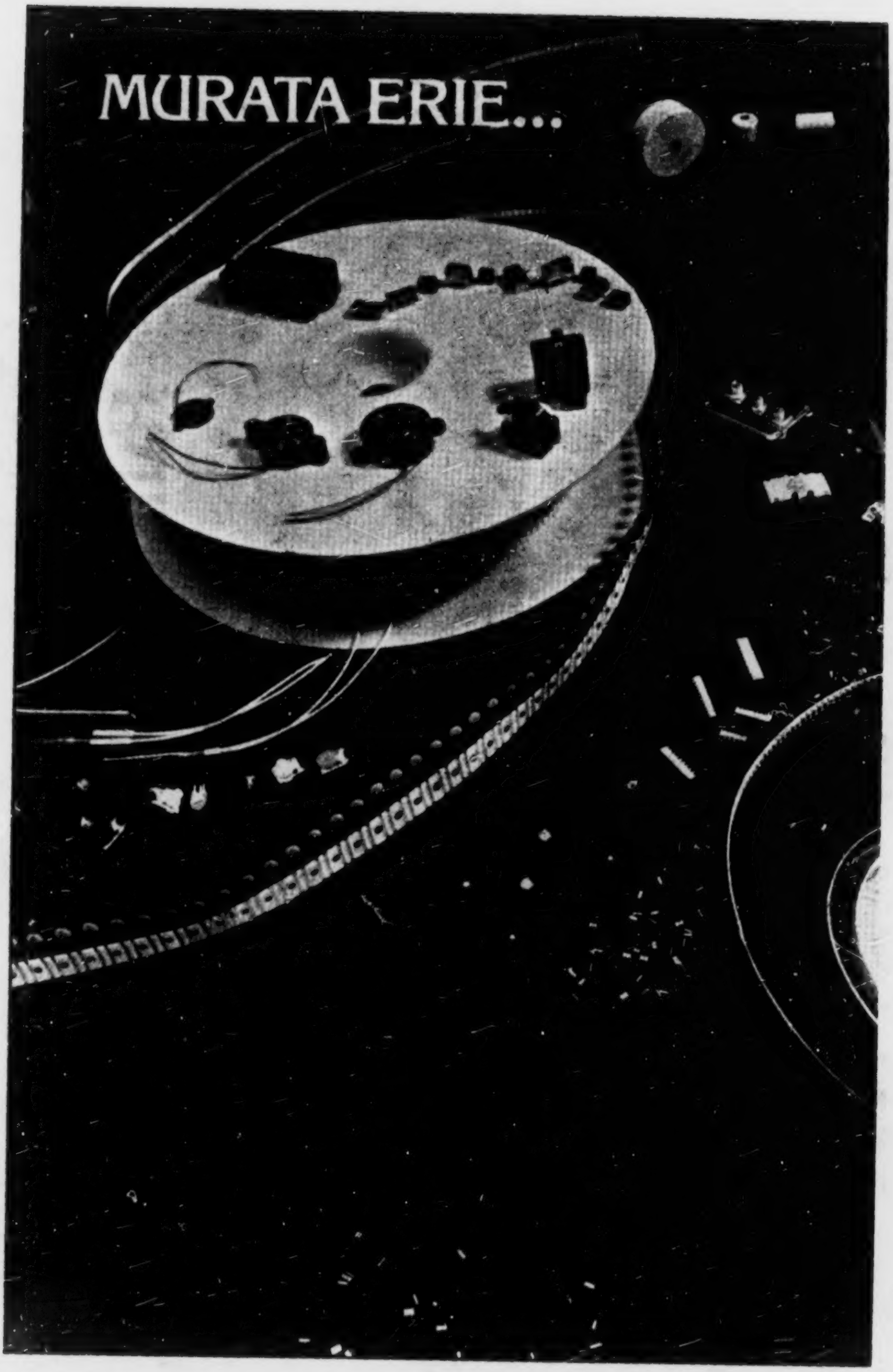
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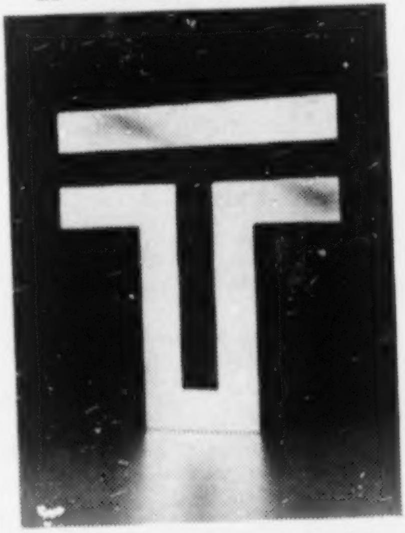

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Memorandum To: The Honorable Carl E. Sanders,
Chairman, The Japan-America Society of Georgia

From: Jim Balloun

NOMINATIONS TO JASG LEADERSHIP 1985/86

In response to your request, I have conferred with a number of board members of the Japan-America Society of Georgia and have put together a slate of suggested candidates for the coming year. This memo reviews the background and recommendations for structure and leadership. Attached to it is an appendix consisting of a mission for each committee.

BACKGROUND

The Japan-America Society of Georgia (JASG) has grown and expanded its activities over the past 2 years. It now has 554 members and a budget of $115,000. It has been an important catalyst for bringing together leaders with a common interest in improving the business and political relations between Japan and Georgia.

Yet the Society now faces a series of challenges brought on by this growth that imply a need to change. Rapid early membership growth has slowed, and we need to recover the momentum that drives the Society's activities. We face a financial shortfall that threatens our ability to maintain the required level of support staff. Finally, there is the continuing need to strengthen our programming. All of these factors have influenced our recommendations for committee leadership and Society structure.

STRUCTURE AND LEADERSHIP

For 1985/86 we recommend a reorganized committee structure (Exhibit 1) that will place greater focus on building the financial and membership foundation of the Society by organizing a Finance Committee and building up the Membership Committee. In addition, we recommend organizing a Georgia-Japan Business Development Committee which will provide assistance and leadership to efforts to build Georgia's commercial relations with Japan. The mission of these groups and their proposed leadership is summarized below.

¶ Executive - The Executive Committee is responsible for the operations of the JASG, its staff, and committees and is headed by the Society's Chairman. We recommend that Governor Carl Sanders continue to serve in this capacity. The Society also has two Vice Chairmen - one who serves as the Society's chief operating officer and has overall responsibility for the Society's major committees, and one who represents the Japanese community. We recommend that Bob Harlin and Mike Inoue assume these respective responsibilities.

¶ Finance - The mission of the Finance Committee is to ensure a strong funding base for the Society both from membership dues and fundraising activities. The group must also address the near-term gap in funding to cover support staff. Jim Balloun has agreed to accept this responsibility.

¶ Nominating - The Nominating Committee, one of the five standing committees of the Society, is charged with developing a slate of candidates for the officer and director positions of the Society. George Waldner will take this responsibility.

¶ Georgia-Japan Business Development - A new group designated to develop a strategy to encourage business investment and development between Georgia and Japan. We recommend Don Sands to lead this committee.

¶ Communications and Publications - A working group to assist the staff with the newsletter, annual directory, and other communications to the membership and community. Richard Matthews, with his experience at The Atlanta Journal, is an appropriate choice to lead this group.

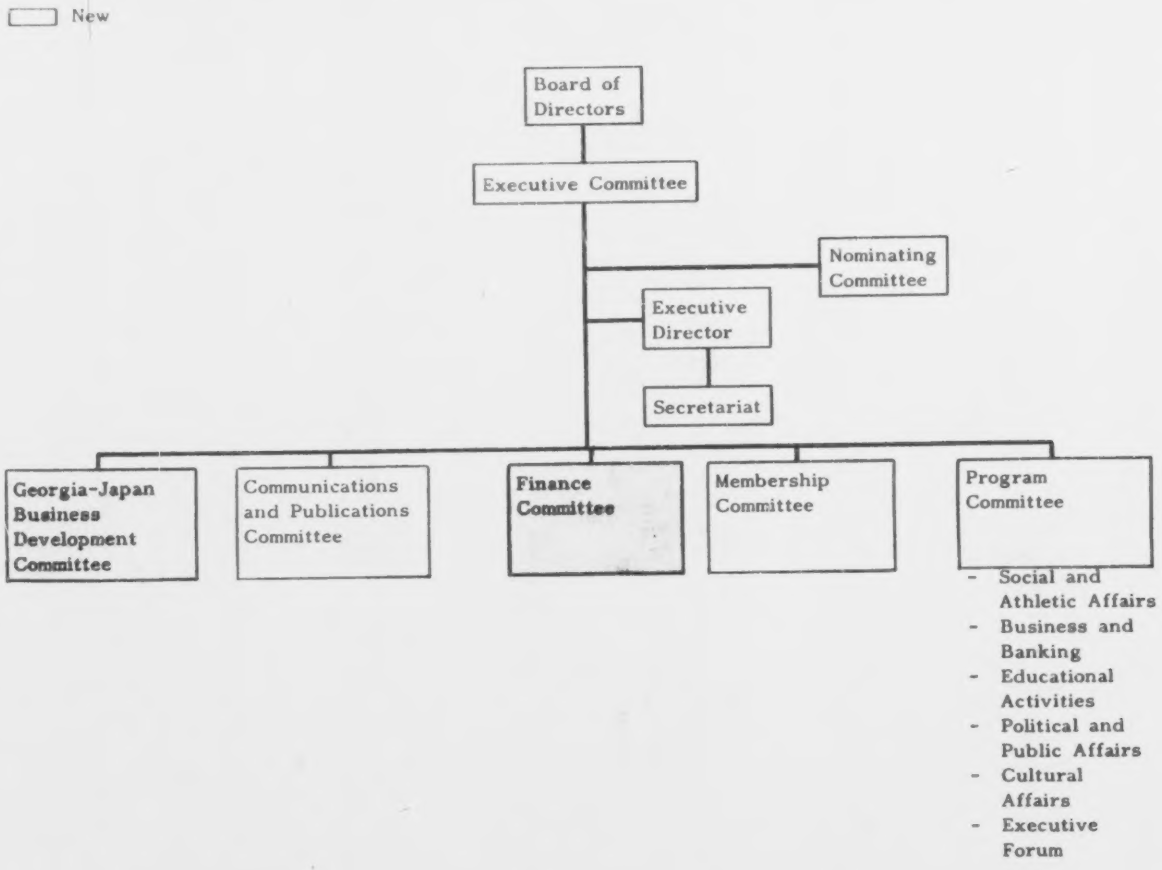
¶ Membership - This group will focus on the recruiting of new and the retention of current members. This committee requires a high energy level and community visibility. We recommend Jim Lientz to head the group.

¶ Program - The Program Committee's mission is to put together and carry out a series of exciting events that inform and entertain the membership and the public at large. Phil Preston is well positioned to fulfill the leadership role for this committee with his extensive JASG involvement and enthusiasm.

* * *

This covers our recommendations for the organizational structure and committee leadership for the JASG. We believe the individuals recommended understand the needs of the Society and can effectively lead it to an even more prosperous future.

JAPAN-AMERICA SOCIETY OF GEORGIA



New
Board of Directors
Executive Committee
Nominating Committee
Executive Director
Secretariat
Georgia-Japan Business Development Committee
Communications and Publications Committee
Finance Committee
Membership Committee
Program Committee
- Social and Athletic Affairs
- Business and Banking
- Educational Activities
- Political and Public Affairs
- Cultural Affairs
- Executive Forum

APPENDIX

EXECUTIVE COMMITTEE

MISSION

Direct the operating activities of the JASG in conjunction with the Executive Director.

RESPONSIBILITIES

1. Provide guidance and establish the policies which will produce the desired results in administering and managing the Society's affairs.

2. Coordinate the activities of all operating committees to ensure that those individuals charged with administering policy have the authority and resources required to act effectively.

3. Review results and suggest modifications to programs and activities to ensure smooth and effective operations.

ORGANIZATION

The Executive Committee shall be chaired by the Vice Chairman of the JASG Board. Members of the Executive Committee shall be:

Vice Chairman of the Board, Chief Operating Officer
Vice Chairman of the Board chosen from the Japanese community
Secretary of the JASG
Treasurer of the JASG
Chairman of the Finance Committee
Chairman of the Nominating Committee
Chairman of the Georgia-Japan Business Development Committee
Chairman of the Communications and Publications Committee
Chairman of the Membership Committee
Chairman of the Program and Activities Committee
President of the Shokakai
One member chosen at the pleasure of the Chairman.

FINANCE COMMITTEE

MISSION

The mission of the Finance Committee is to ensure a strong funding base to support the Society's operations on a cost-effective, independent basis.

RESPONSIBILITIES

1. Prepare an annual budget for the Society that provides the administrative support needed and ensures a break-even operation.
2. Develop programs to increase revenues - both through dues and fundraising efforts in cooperation with the Membership Committee.
3. Lead fundraising efforts to achieve targets and close financial gap.
4. Monitor performance against budget to ensure matching of revenue to expenditures.

ORGANIZATION

The Chairman of the Finance Committee shall be a member of the Board of Directors. He will choose two other members from the membership-at-large. The Society's Treasurer and Chairman of the Membership Committee will be ex-officio members of the Finance Committee.

NOMINATING COMMITTEE

MISSION

The mission of the Nominating Committee is to advise and assist the Vice Chairman of the Board on how best to marshal and organize the membership to participate in the activities of the Society by becoming members of the board and officers. The Vice Chairman of the Board may also request the Nominating Committee's assistance in other personnel-related activities.

RESPONSIBILITIES

1. Match membership with available positions to develop a slate of candidates for election as directors and officers of the Society and ratify appointments of committee chairmen to be made by the Vice Chairman.

2. Coordinate recommendations with Membership Committee to ensure maximum impact of appointments with efforts to recruit corporate members and community leaders.

3. Help recruit these individuals as needed to assume key positions.

4. Assist the Vice Chairman in other personnel-related matters.

ORGANIZATION

The Nominating Committee will be not less than three nor more than five members of the board. The chairman of the Nominating Committee will be chosen from the Board of Directors. The chairman of the Nominating Committee, in consultation with the Vice Chairman and Chairman of the Board, will choose the other members of the Nominating Committee. The chairmen of the Membership and Finance Committees will serve as ex-officio members of the Nominating Committee.

COMMUNICATIONS AND PUBLICATIONS COMMITTEE

MISSION

The purpose of the Communications and Publications Committee is to assist the professional staff of the Society in developing programs for communicating effectively with the membership and the community-at-large.

BACKGROUND

The Communications and Publications Committee was organized as an ad hoc committee in 1984 under the chairmanship of Mr. Tad Osaki. Its purpose at that time was primarily to assist the Society in developing the graphics and format of all in-house publications which have impact upon the membership and the community-at-large. An additional task of this ad hoc committee was to act as an advisory council with the editors of the two major publications - the newsletter and the annual directory - to ensure the highest level of professional content, thereby enhancing the image of the Society.

RESPONSIBILITIES

1. Ensure the format and design of annual directory and newsletter publications are of high quality and consistent with the professional image of the JASG.
2. Help provide writers for the JASG newsletter.
3. Assist the staff in compiling and editing the annual directory.

ORGANIZATION

The Chairman of the Communications and Publications Committee shall be chosen from the membership and may appoint other members as appropriate.

MEMBERSHIP COMMITTEE

MISSION

The Membership Committee is responsible for maintaining and expanding membership in the Society.

ROLE

1. Develop and execute a marketing program to add new members to the Society.
2. Set the amount for and help collect annual membership dues in conjunction with the Finance Committee.
3. Develop and execute programs to ensure maximum possible reenrollment by current members each year.

ORGANIZATION

The Chairman of the Membership Committee will be chosen from the membership of the Board. The Membership Committee Chairman will become a member of the Executive Committee and an ex-officio member of the Finance Committee.

PROGRAM AND ACTIVITIES COMMITTEE

MISSION

The mission of the Program and Activities Committee of The Japan-America Society of Georgia is to develop activities and plan and present programs which will enhance Georgians' knowledge of the arts, industry, culture, and political and social systems of Japan; and provide Japanese guests who are working and residing in Georgia an opportunity to meet and associate with Georgians on a personal basis.

RESPONSIBILITIES

1. Determine which activities and areas of information will best attain the two primary objectives of the JASG. Five current program areas are:

    - Cultural Affairs
    - Business and Banking Affairs
    - Political and Public Affairs
    - Social and Athletic Affairs
    - Executive Forum.

2. Assess the resources and capabilities of the JASG to deliver programs and

    a. Establish priorities on how they are to be used;

    b. Expand them to the maximum capacity of the membership and the community-at-large.

3. Organize and carry out programs and activities while working within the limited cultural resources and funding available to the JASG and attempting to make each program self-funding.

4. Evaluate the effectiveness of programming and submit a report to the Board of Directors and an annual program plan in August of each year.

ORGANIZATION

The Chairman of the Program and Activities Committee shall be a member of the Board of Directors. He may appoint other members as he believes appropriate.

STRENGTHENING JAPAN-AMERICA SOCIETY OF GEORGIA'S FINANCIAL POSITION

JAPAN-AMERICA SOCIETY OF GEORGIA

Review with Finance Committee

February 10, 1986

INTRODUCTION

The Japan-America Society of Georgia is about to complete its fifth year of operation and third year of a 3 year non-renewable $25,000/yr. administrative support grant from the U.S.-Japan Friendship Commission. In anticipation of this expiration and our desire to ensure the continued financial strength of the Society, the Finance Committee was asked to undertake a review of the JASG's current financial structure, prepare a realistic outlook of the gap we will face as the Commission grant expires, and generate several options for closing that gap. These options, upon consideration by the Executive Committee, can form the basis for an agenda of action to be taken over the coming months by the Board, its subcommittees, and the staff to ensure that we continue to have a sound financial structure.

The following document was prepared over the last several weeks in conjunction with Sara Englade and staff members and was reviewed at a meeting of the Finance Committee on February 10. Included in the document are:

- An overview section that explains the revenues and expenses as they stood in FY 85, how they will have changed from '85 to '88, and the sources of the budget change. This section also indicates that we selected four other regional societies for comparative purposes: Southern California, Northern California, Boston, and St. Louis.

- A revenue section that compares our revenue sources and our success in raising revenues with those of the other four societies. Several options for revenue improvement are also explored. Importantly, our corporate fee structure is relatively high compared with the four comparable societies, so it was our conclusion that we cannot rely on the good will of our corporate members to fill the gap we anticipate.

- An expense section that compares our costs with the four other societies and indicates relatively modest opportunities for reducing costs.

- A summary section that lists the ideas coming out of our analyses and comparison with the four societies. The sense of the Finance Committee discussion was that our opportunities lie primarily in programs and new grant applications for programs, to a lesser extent in membership contributions, and for practical purposes probably not in cost control.

Source: JASG records; McKinsey analysis

The Society has had an enormously successful first five years. In FY 85 its budget was $159,000, making Georgia the fifth largest society in the nation after New York, Southern and Northern California, and Chicago, the most recent of which was founded in 1930. We are convinced that a reasonably aggressive program pursuing selected options from those outlined in the following document can ensure the continued financial strength and provide for an even more vibrant Society in the future.

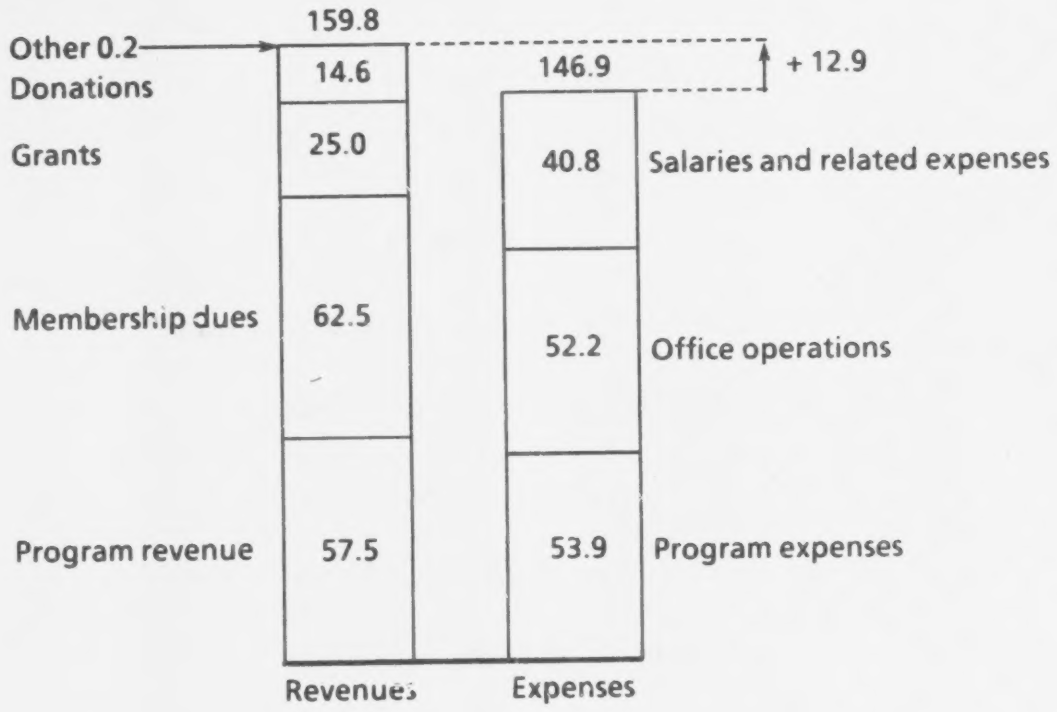
CONCLUSIONS

1. JASG will need to reduce expenses and/or increase revenues to have a balanced budget in FY 87 and beyond.

2. There may be opportunities to improve in several areas:

   - Increase program and fundraising revenues
   - Increase membership revenues
   - Increase non-Friendship Commission (F.C.) grants
   - Increase program sponsorship
   - Reduce office expense.

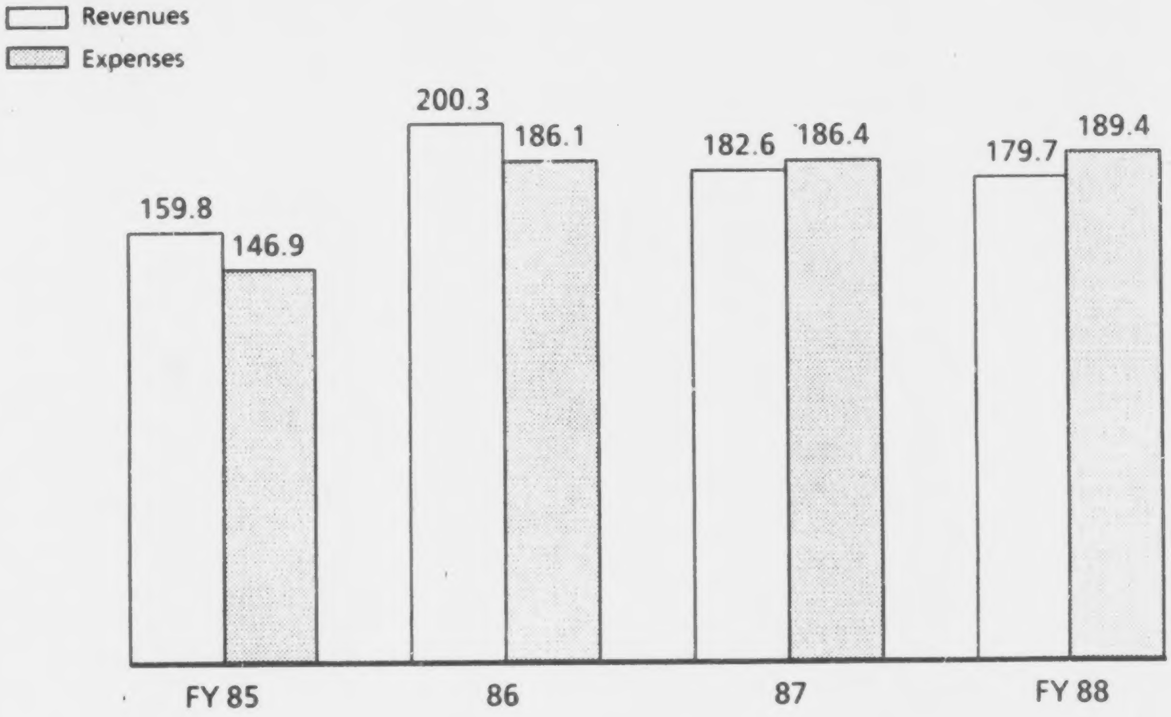
REVENUES AND EXPENSES – FY 85
$ Thousands



Source: JASG FY 85 annual report; JASG ledger

REVENUES AND EXPENSES – FY 85-88

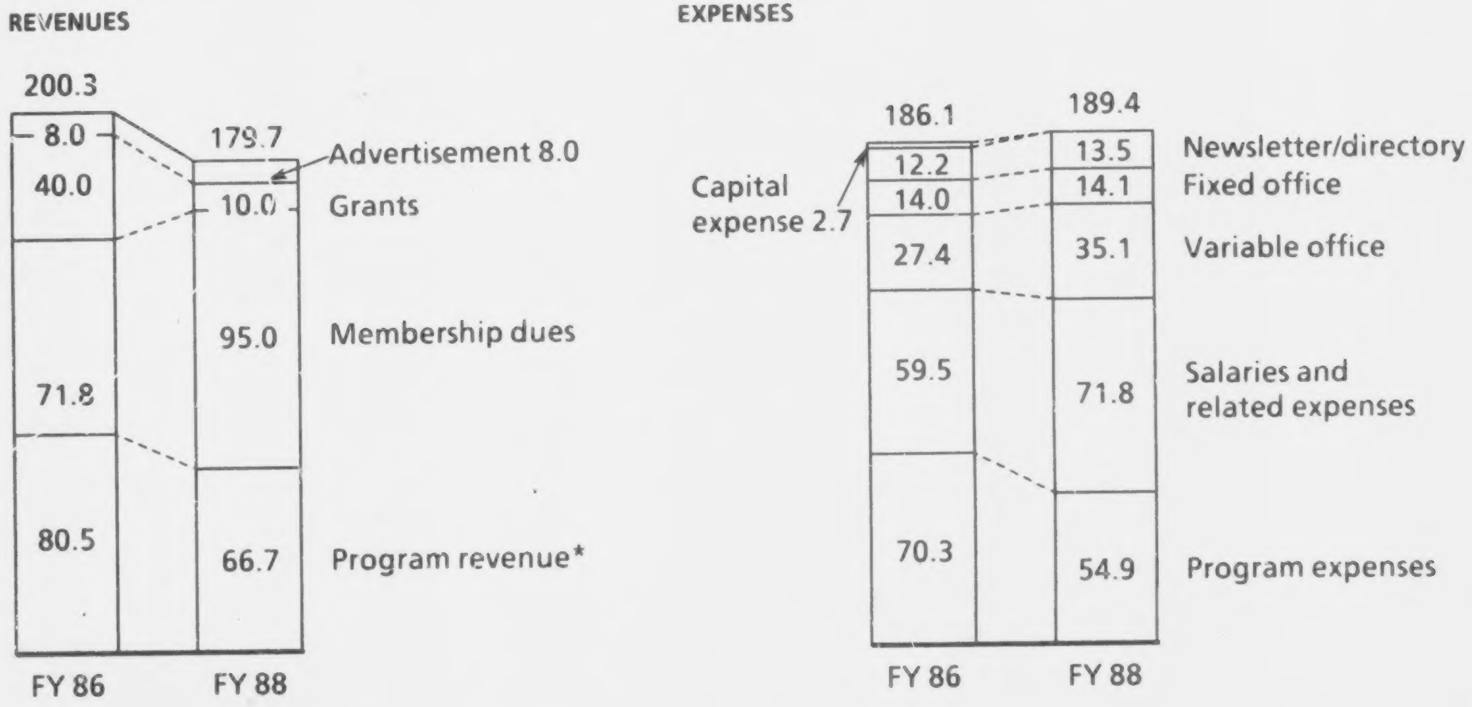
$ Thousands



Source: JASG FY 85 annual report; McKinsey analysis

CHANGES IN REVENUES AND EXPENSES – FY 86-88

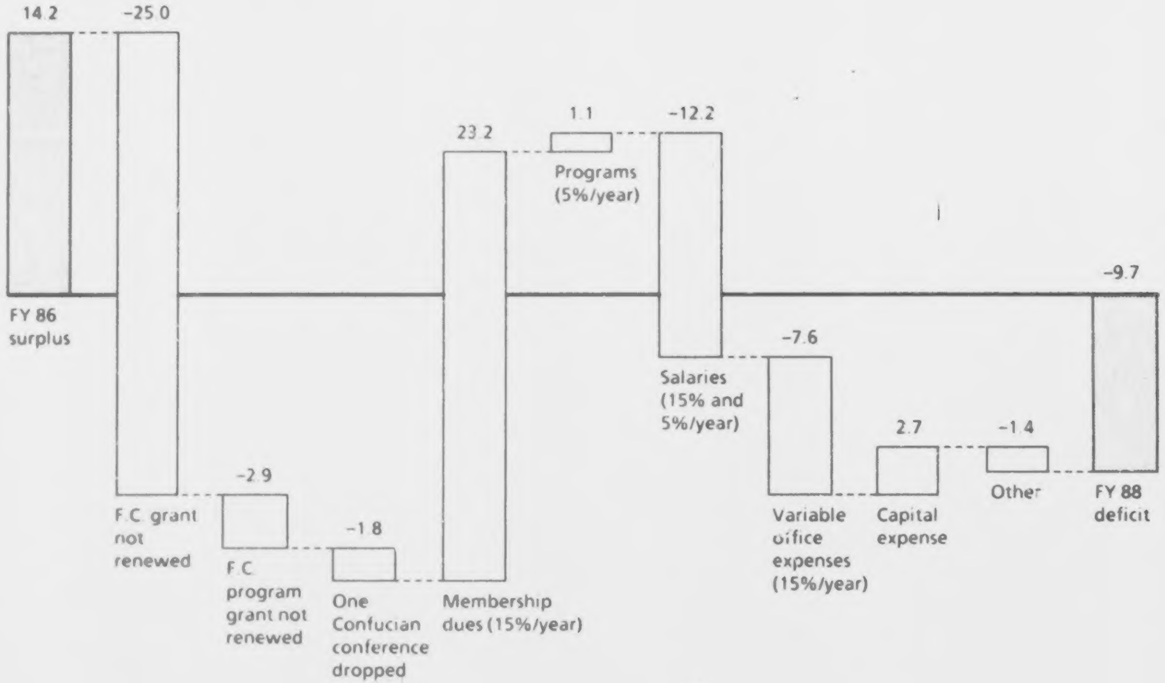
$ Thousands



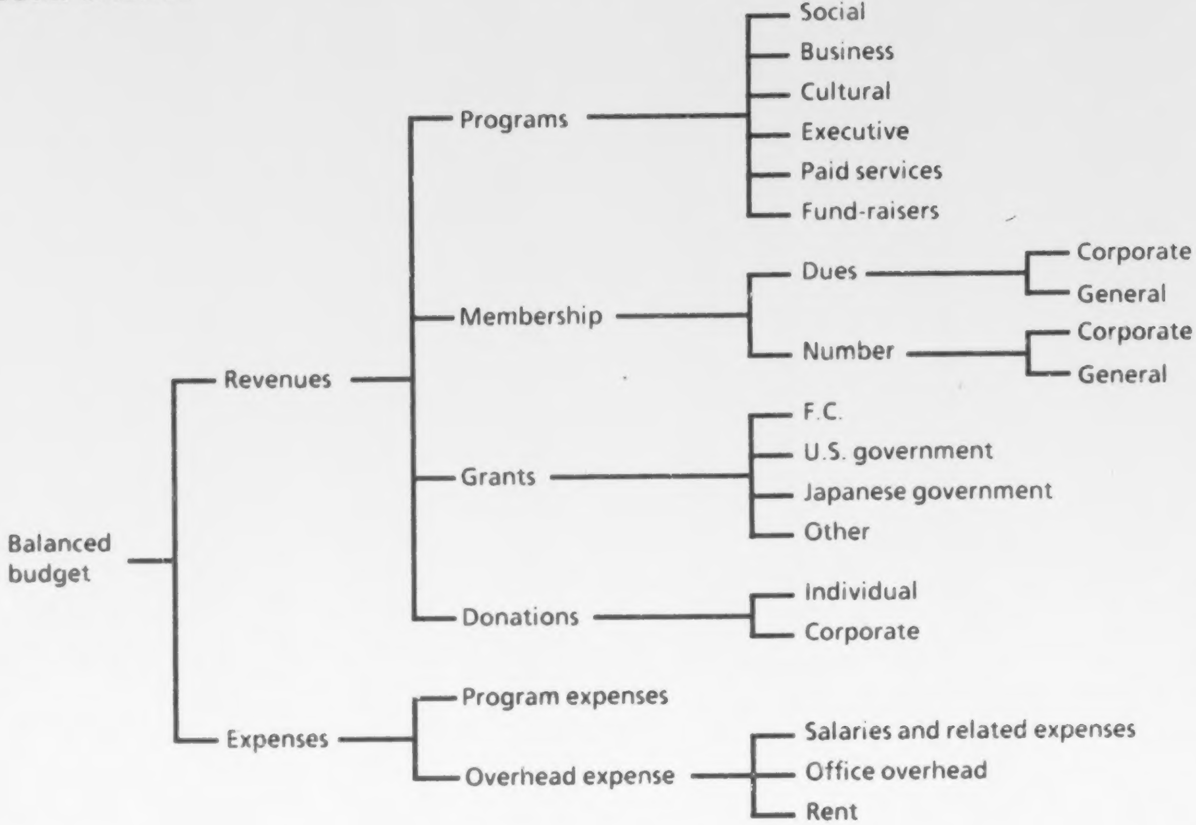
* Includes $20,000 F.C. education grant in FY 86

Source: McKinsey analysis

OVERALL BUDGET CHANGE – FY 86-88
$ Thousands



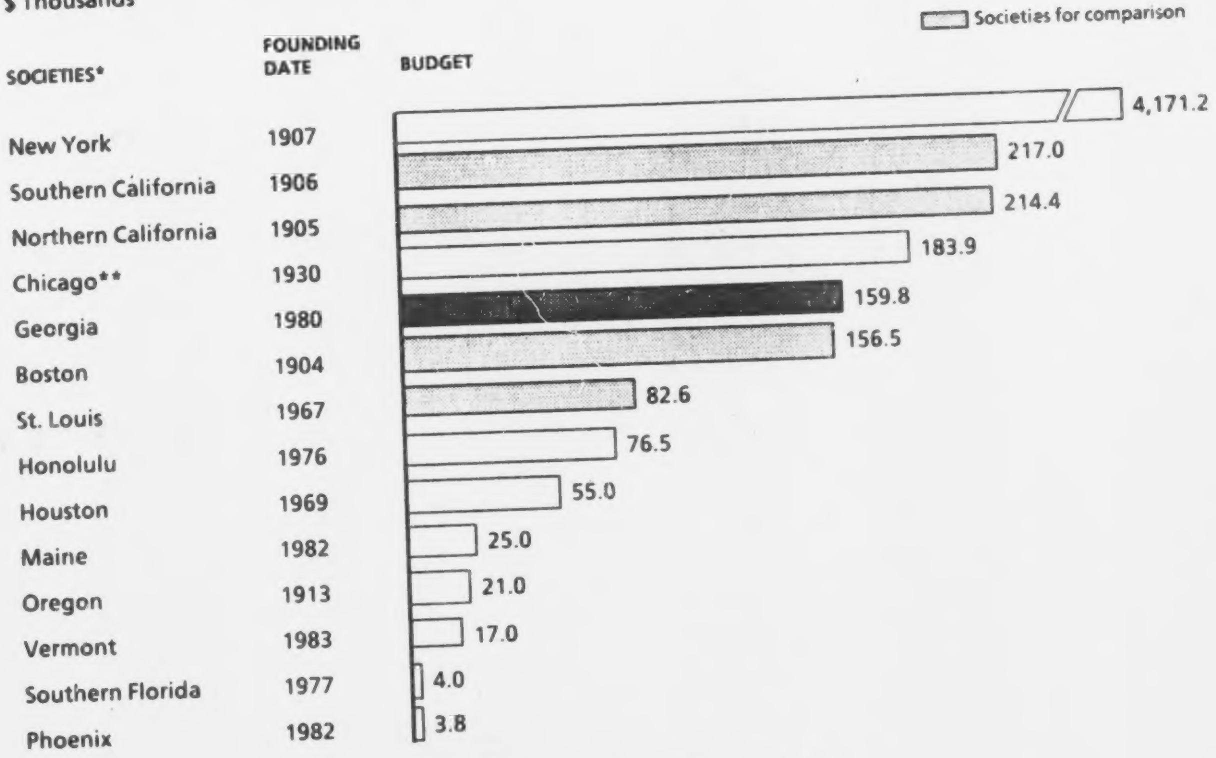
BUDGET COMPONENTS


Balanced budget
Revenues
Programs
Social
Business
Cultural
Executive
Paid services
Fund-raisers
Membership
Dues
Corporate
General
Number
Corporate
General
Grants
F.C.
U.S. government
Japanese government
Other
Donations
Individual
Corporate
Expenses
Program expenses
Overhead expense
Salaries and related expenses
Office overhead
Rent

Source: McKinsey analysis

JAPAN-AMERICA SOCIETIES IN THE UNITED STATES

$ Thousands

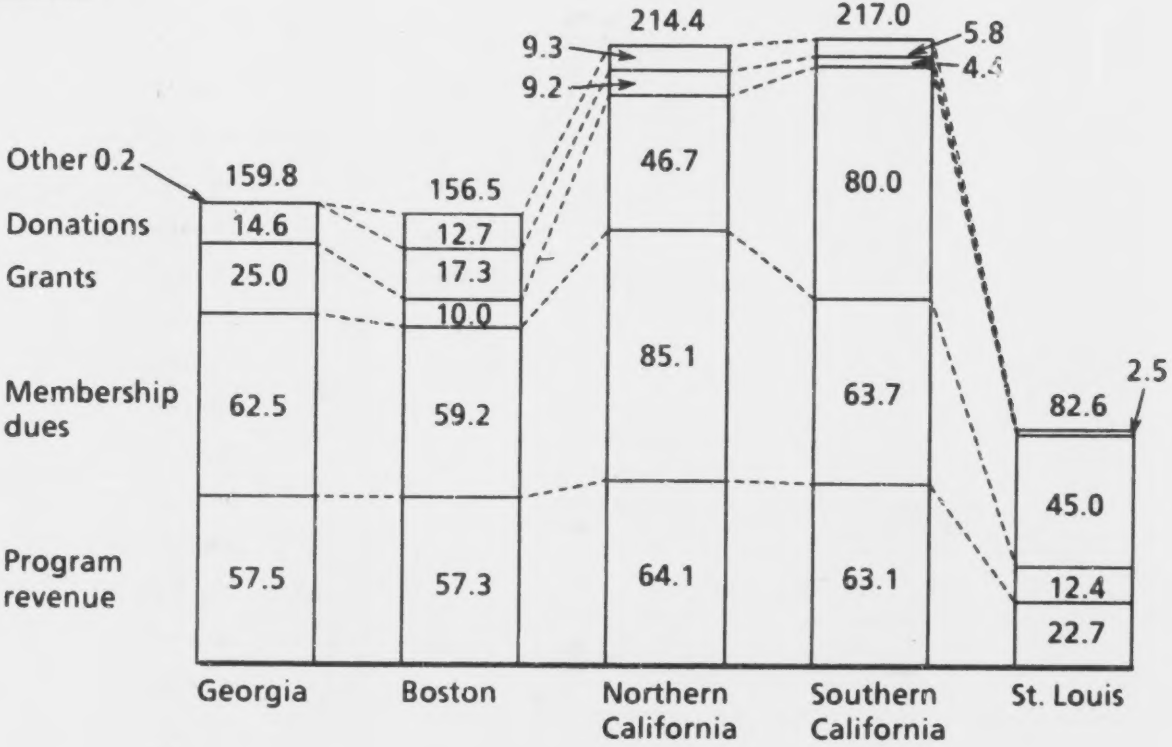


* Information was not available for Minnesota; Washington; Washington, D.C.; and Dallas

** Chicago was not used because financial information was not available

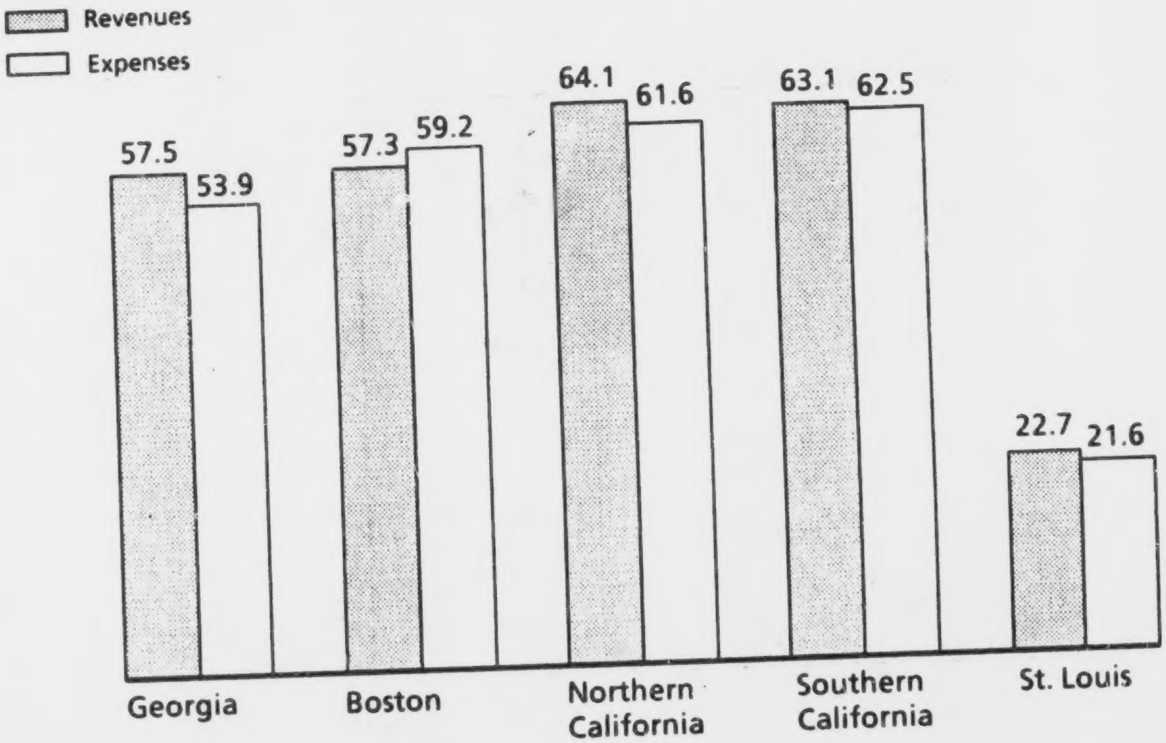
Source: Society interviews; FY 85 annual reports

REVENUES – FY 85
$ Thousands



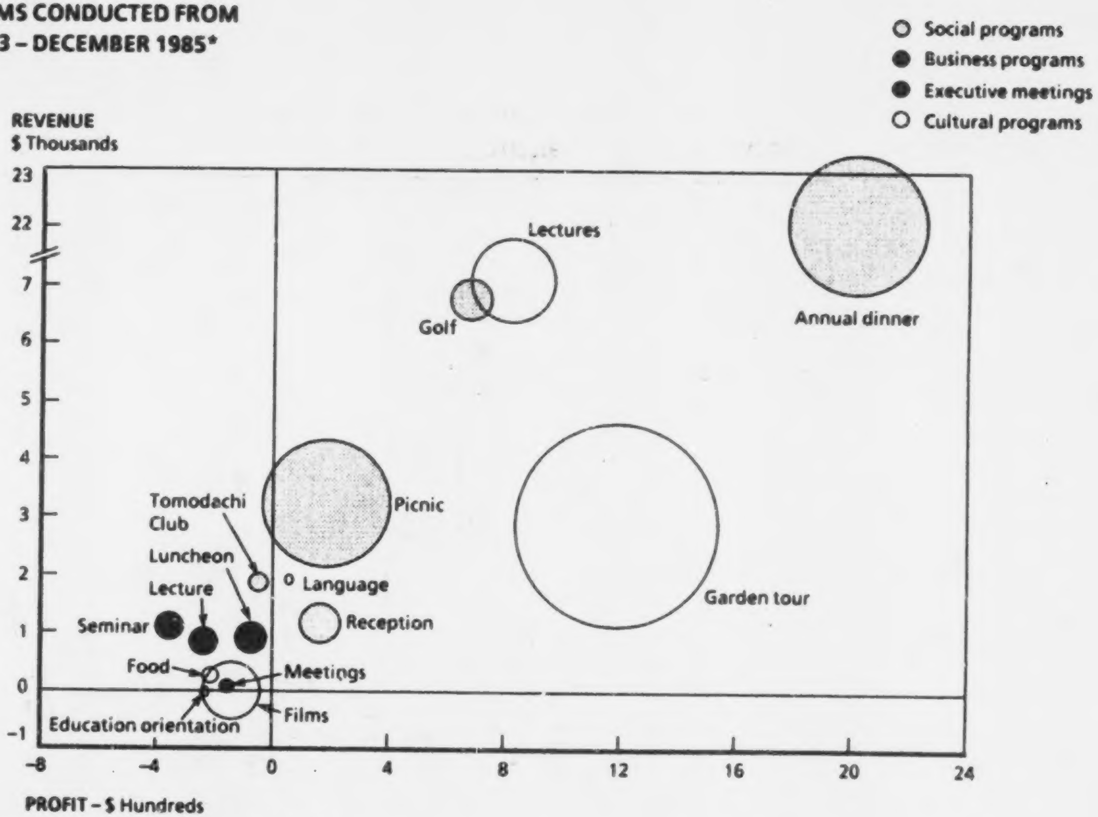
Source: Annual reports; JASG ledger

PROGRAM REVENUES AND EXPENSES – FY 85
$ Thousands



Source: Annual reports

PROGRAMS CONDUCTED FROM MAY 1983 – DECEMBER 1985*



* Three programs not included because of lack of data

Note: Area of circle is proportional to attendance

Source: Project files; detailed program records

SUMMARY OF PROGRAM ANALYSES

JASG

- ¶ Business programs are well attended but lose money in all three categories, e.g., seminars, lectures, and luncheons.
- ¶ Social programs are well attended and mostly profitable.
- ¶ Films are well attended, but are not profitable (no admission fee is charged).

Lessons from other societies

- ¶ Some societies are offering additional services and fund-raisers.
- ¶ Some societies have done membership surveys to closely match their program schedules to their membership interest.

PROGRAM OPTIONS

Program category	Improvement ideas and examples	Net financial impact
Business	- Break even, at least . Other societies say business programs are the most popular, so should break even at least	$1,000
Social	- Raise prices $15 per person on golf tournament and annual dinner to capture more income . Other societies say social functions can be used as significant income generators (i.e., $6,000 profit in D.C., San Francisco)	7,300
Cultural	- Charge going rate for films ($2.50/person) . Should be feasible because other societies claim theatre and films are among most popular cultural programs	500
Fund-raisers	- Fund-raisers can be started	
	. D.C. throws an annual bazaar where local Japanese/American community sells crafts/food and society takes 20% of all sales	4,000 or
	. D.C. throws a benefit dinner whereby the Japanese Ambassador hosts and assumes all expenses; society sells tickets and collects all revenue	5,000-6,000

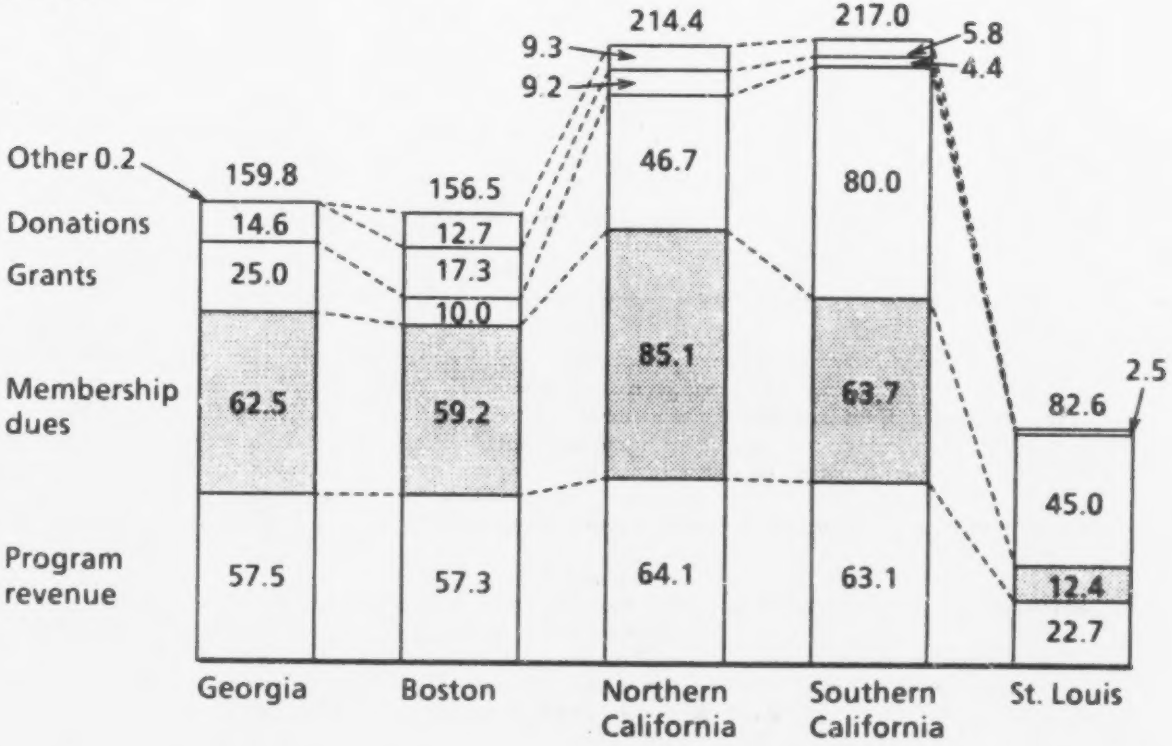
Source: McKinsey analysis

PROGRAM OPTIONS - Continued

Program category	Improvement ideas and examples	Net financial impact
Paid services	Paid services can be initiated - San Francisco is holding in-house language training/ orientation programs for any corporation sending employees to Japan	1,000-6,000
	- Offer language school to public and make profit instead of trying to break even	2,000
Target program schedule closely to membership interest	- Probe business community for most convenient time for programs . In New York, it's lunch; in San Francisco, it's evening - Find out frequency of programs the business and general communities would like	
Total		$15,800-22,800

Source: McKinsey analysis

REVENUES – FY 85
$ Thousands



Source: Annual reports; JASG ledger

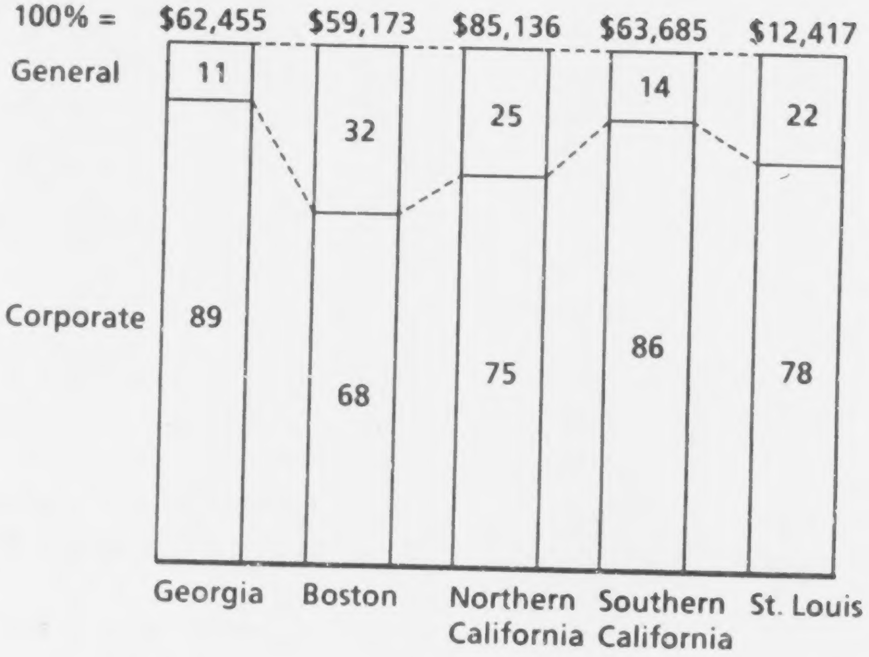
MEMBERSHIP

¶ Georgia has a relatively high dependence on corporate dues.

¶ Georgia has an above-average number of Japanese and American general members, given populations in the area.

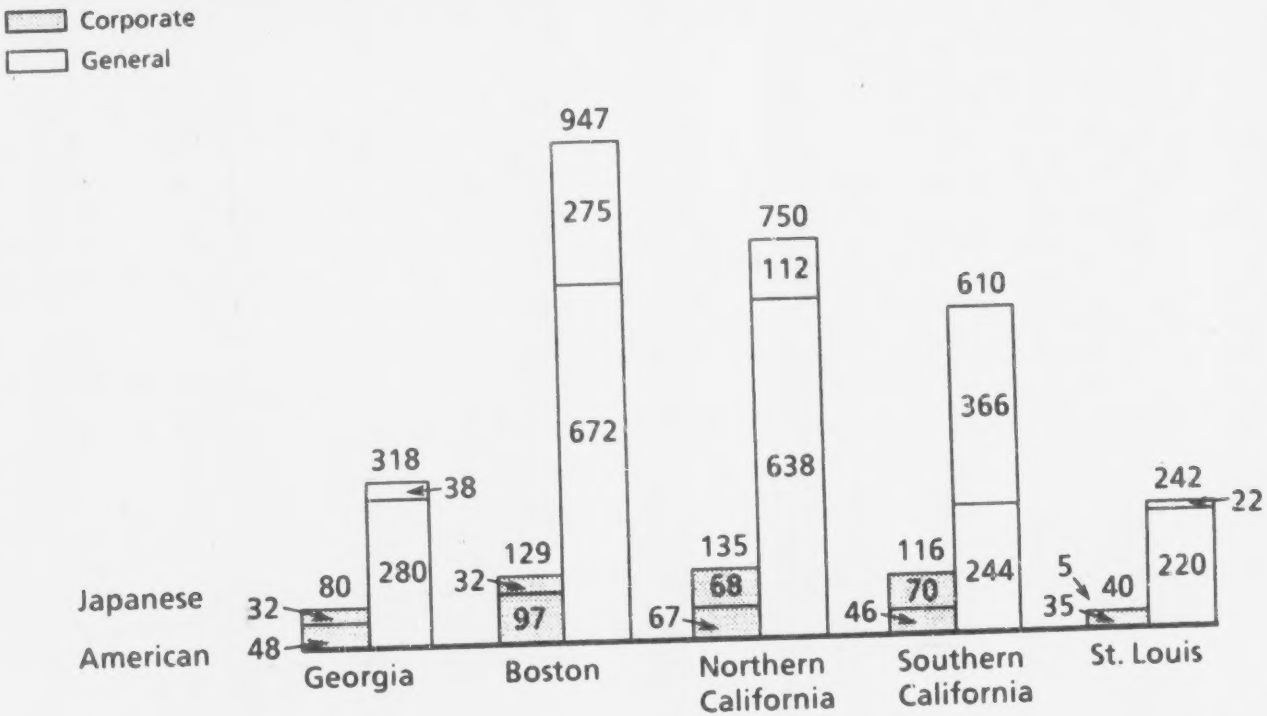
¶ Georgia has relatively high average corporate dues.

MEMBERSHIP DUES – FY 85
Percentage of total membership dues



Source: JASG ledger; annual reports

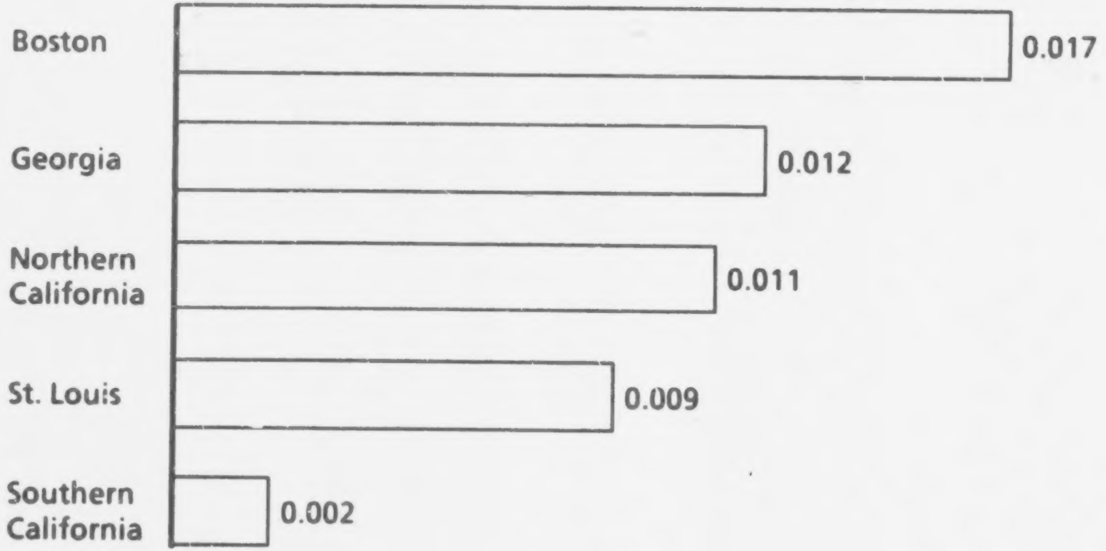
CORPORATE AND GENERAL MEMBERS*



* Approximations

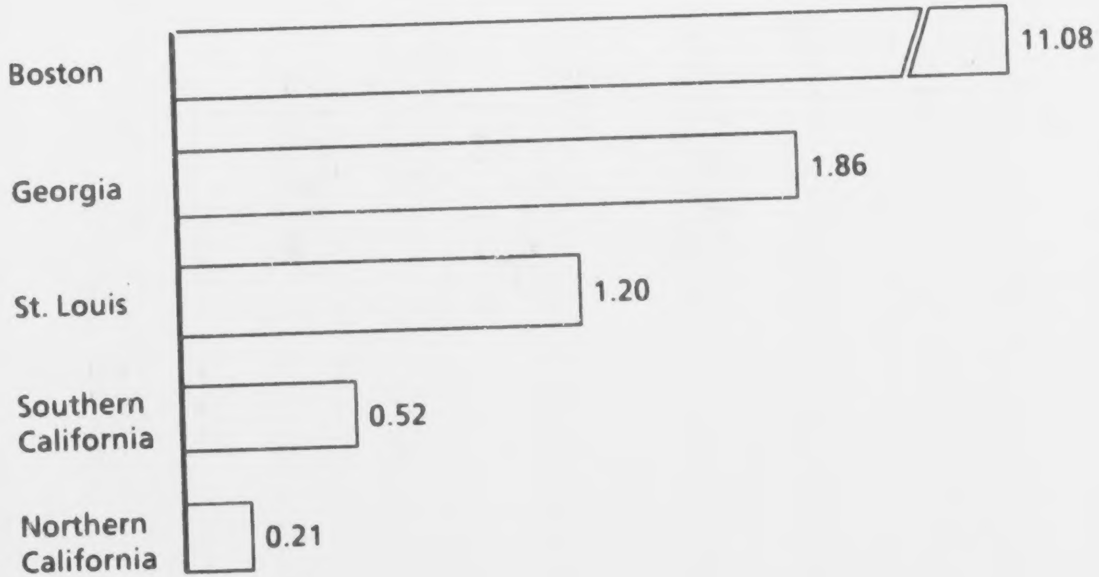
Source: Society interviews

AMERICAN GENERAL MEMBERS
Percentage of total metropolitan population



Source: Society interviews; Department of Commerce, Bureau of the Census

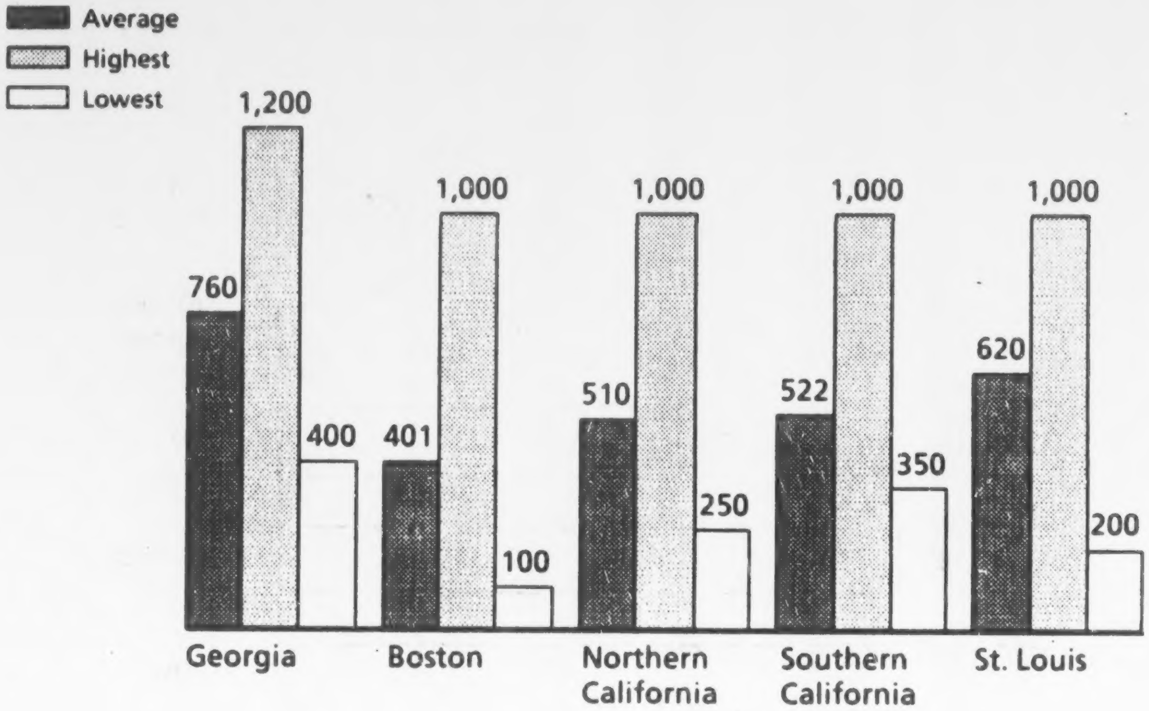
JAPANESE GENERAL MEMBERS
Percentage of total Japanese per state



Source: Society interviews; Department of Commerce, Bureau of the Census

CORPORATE FEE STRUCTURE

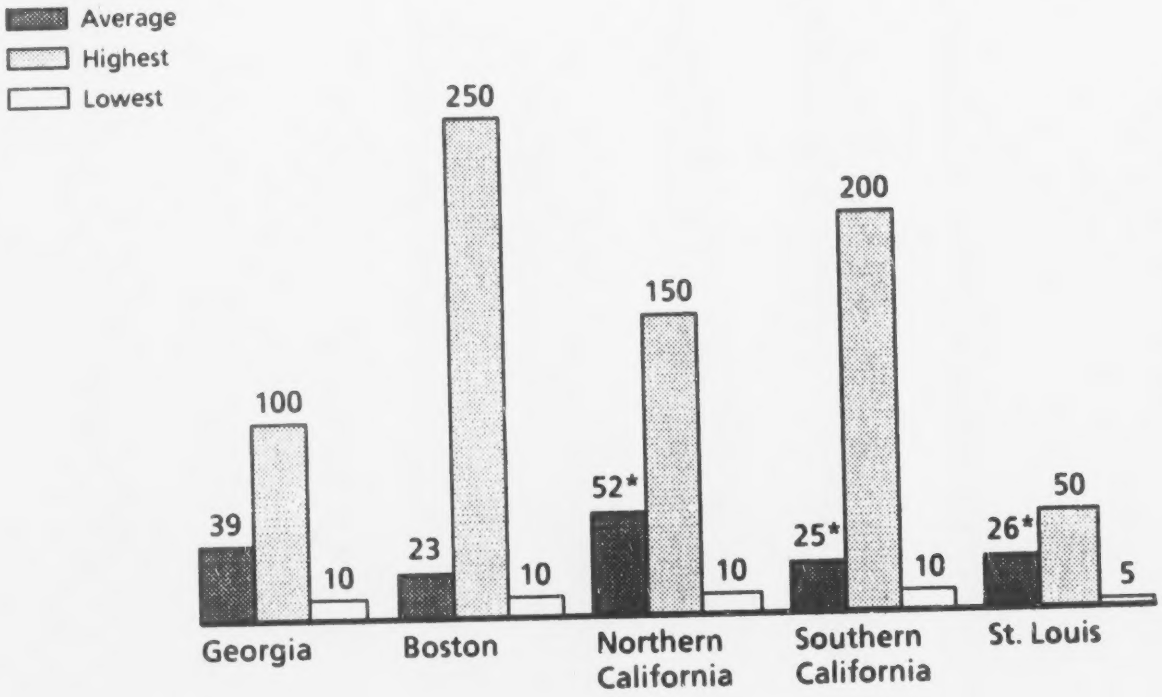
Dollars



Source: Society interviews

GENERAL FEE STRUCTURE

Dollars



* Estimate

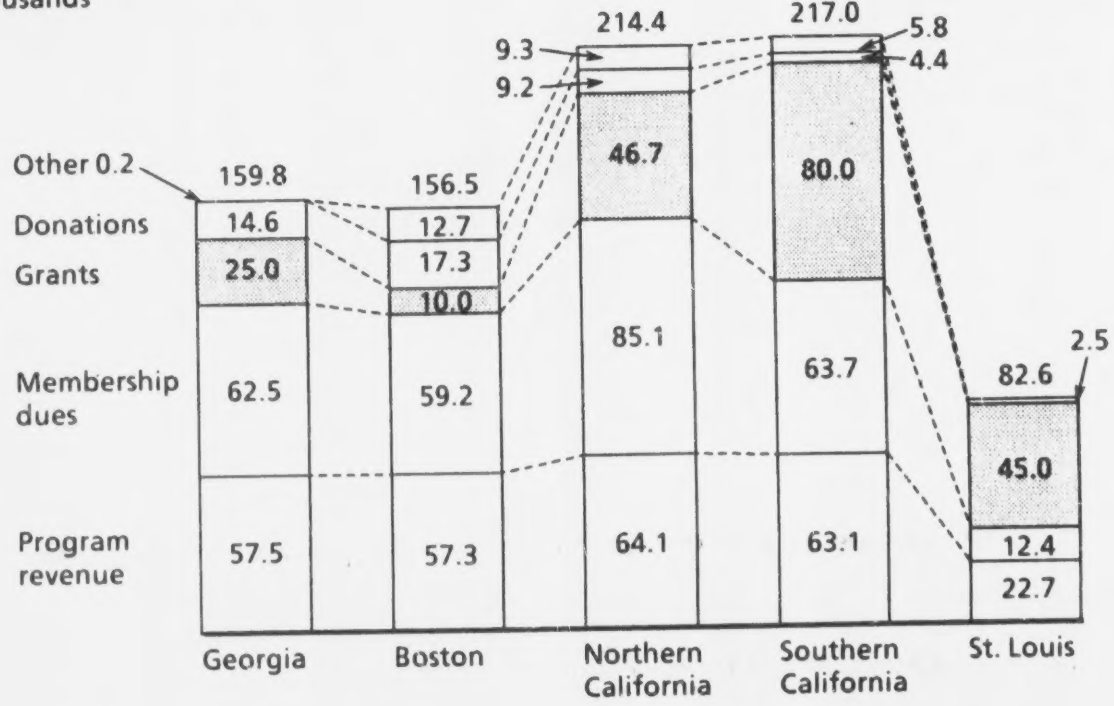
Source: Society interviews

MEMBERSHIP OPTIONS

Category	Improvement ideas and examples	Net financial impact
General		
- American	Increase local penetration to 0.017% (current budget projections assume that we increase membership to 0.021% by FY 88)	$ 0
- Dues	Raise average dues to $50 (based on projected FY 88 membership enrollment)	5,500
Corporate		
- Dues	Find corporate sponsors on a rotating basis who will donate between $2,500 and $5,000 as membership fee - Northern California rotates this "responsibility" amongst its corporate members	5,000-10,000
Total		$10,500-15,500

Source: McKinsey analysis

REVENUES – FY 85
$ Thousands



Source: Annual reports; JASG ledger

GRANT MONEY

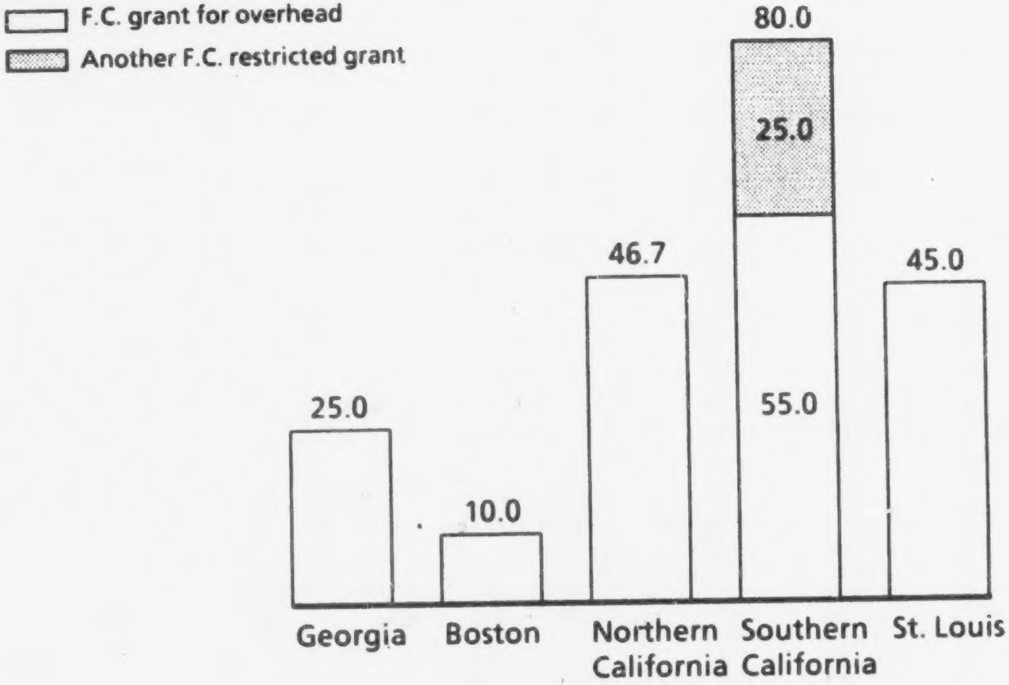
¶ Georgia is not as heavily dependent upon grants as other societies.

¶ There is a low probability of having any F.C. grants renewed after December 31, 1986.

¶ There are other opportunities for JASG to tap grant sources.

GRANT MONEY – FY 85

$ Thousands



Source: Society interviews; annual reports

GRANT OPTIONS

¶ **Hitachi Foundation:** a new foundation interested in supporting Japan-America Societies

¶ **The Japan Foundation:** a foundation in Japan which has already given money to sponsor a Japanese artist to come to Georgia

¶ **U.S.-Japan Foundation:** has already expressed an interest in helping with school project funding

¶ **The State Government:** there is a slight possibility they will help with the Education Project

¶ **Keidanren:** Federation of Economic Organizations in Japan gives the New York Society grants in six digits

ISSUES

¶ What are the requirements for obtaining grants from the above foundations?

¶ What is the likelihood we will be successful in obtaining these grants?

¶ What is the probable size and duration of these grants?

¶ How should we target our approach to request funds from these foundations?

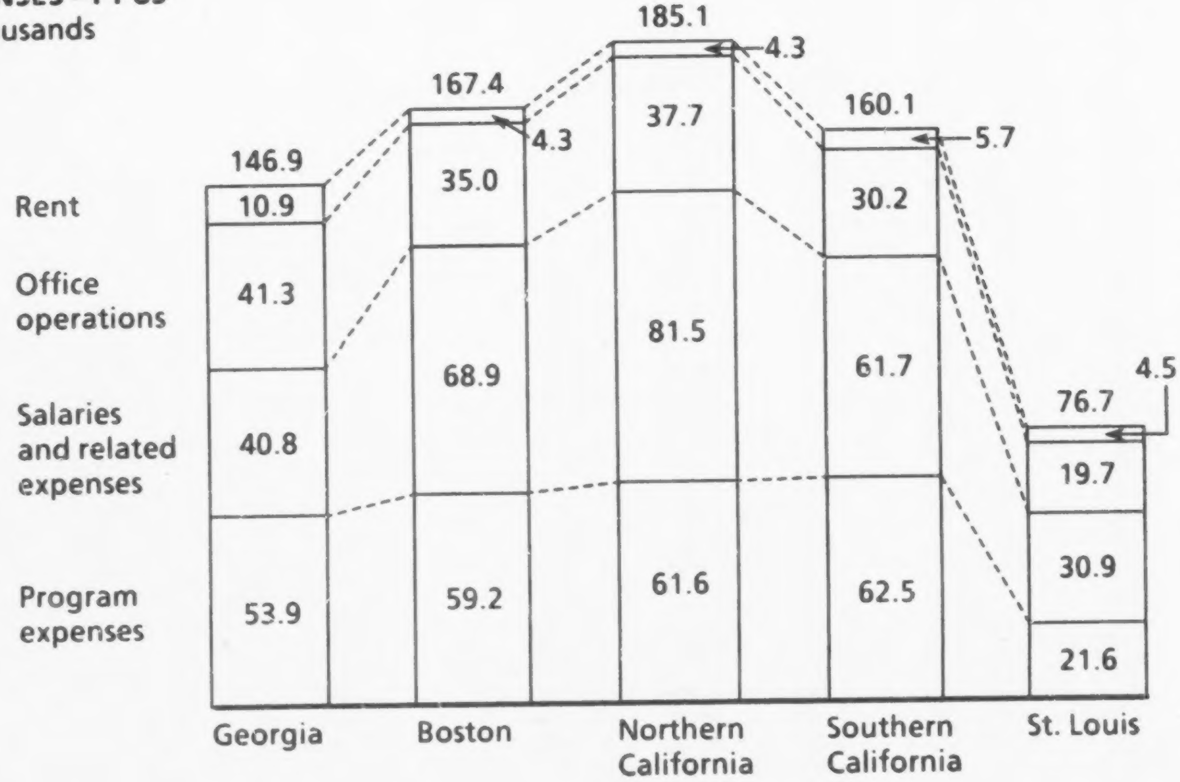
SUMMARY OF REVENUE OPTIONS

Revenue category	Options	Net financial impact FY 85	FY 88*
Programs			
- Business	- Break even, at least	$ 1,000	$ 1,160
- Social	- Raise prices $15 per person on golf tournament and annual dinner	7,300	8,470
- Cultural	- Charge going rate for films	500	580
- Fund-raisers	- Have a bazaar or benefit dinner	4,000-6,000	4,640-6,960
- Paid services	- Have language training/orientation program	3,000-8,000	3,480-9,280
Subtotal		15,800-22,800	18,330-26,450
Membership			
- General	- Increase American membership to 0.017% penetration	0	0
	- Raise average dues to $50	-	5,500
- Corporate	- Find corporate sponsors on rotating basis	-	5,000-10,000
Subtotal			10,500-15,500
Grants	- Hitachi Foundation - The Japan Foundation - U.S.-Japan Foundation - State government - Keidanren		
Total			$28,830-41,950

* Adjusted by inflation of 5%/year

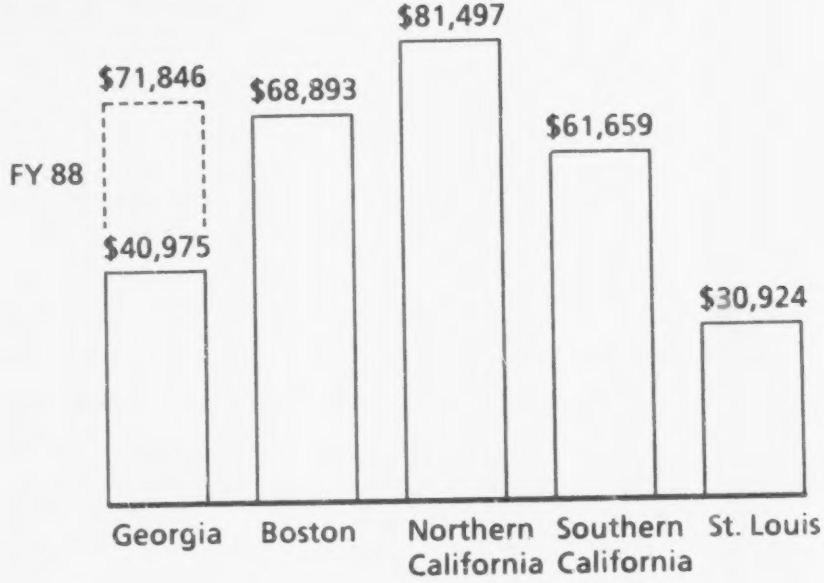
Source: McKinsey analysis

EXPENSES – FY 85
$ Thousands



Source: Annual reports; JASG ledger

DOLLAR VALUE OF SALARIES AND RELATED EXPENSES – FY 85



	Georgia	Boston	Northern California	Southern California	St. Louis
Full time	2	3	3	2	1
Part time	–	15	–	–	1
Interns with no pay	–	4	–	–	–
Cost/full-time employee	$20,500	n/a	$27,200	$30,800	$20,600

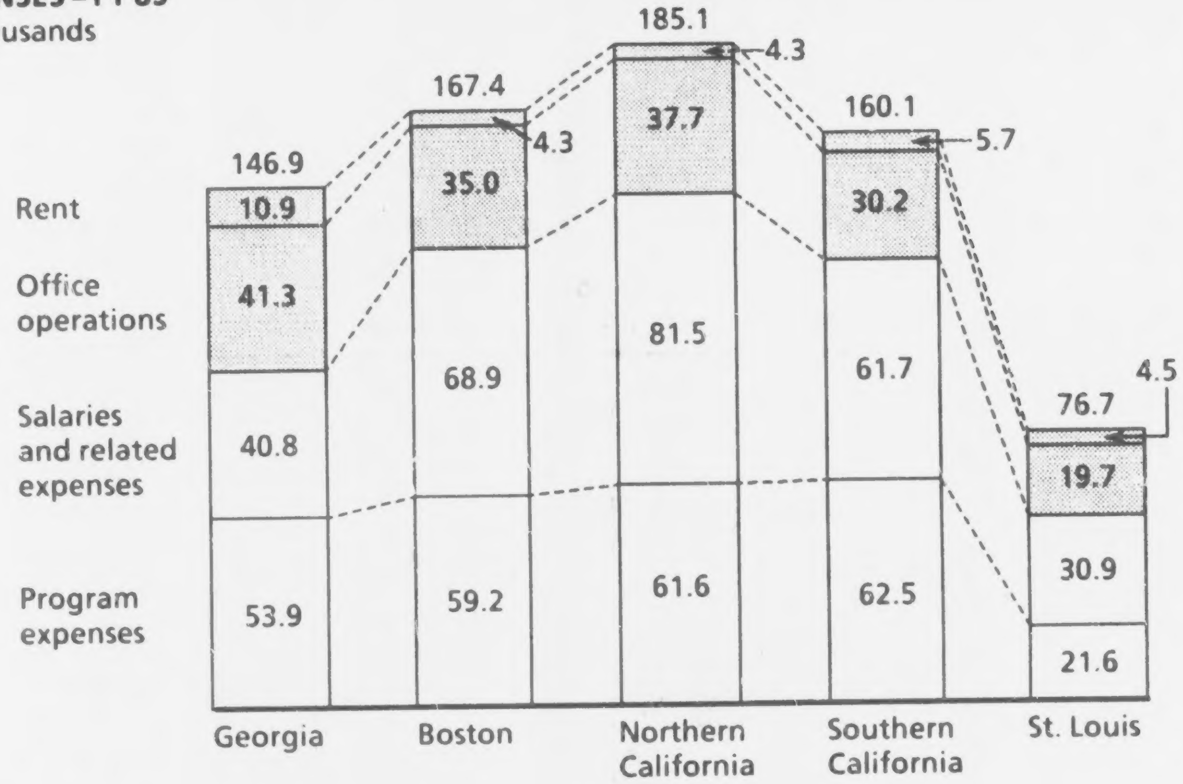
Source: Society interviews; annual reports

SALARY OPTIONS

Situation	Options	Net financial impact
- FY 86 salaries rose 15% due to raises		
- FY 87 salaries will rise 15% due to raises	Limit FY 87 raise to inflation (5%)	$5,950
- FY 88 salaries will rise with inflation (5%)		

Source: McKinsey analysis

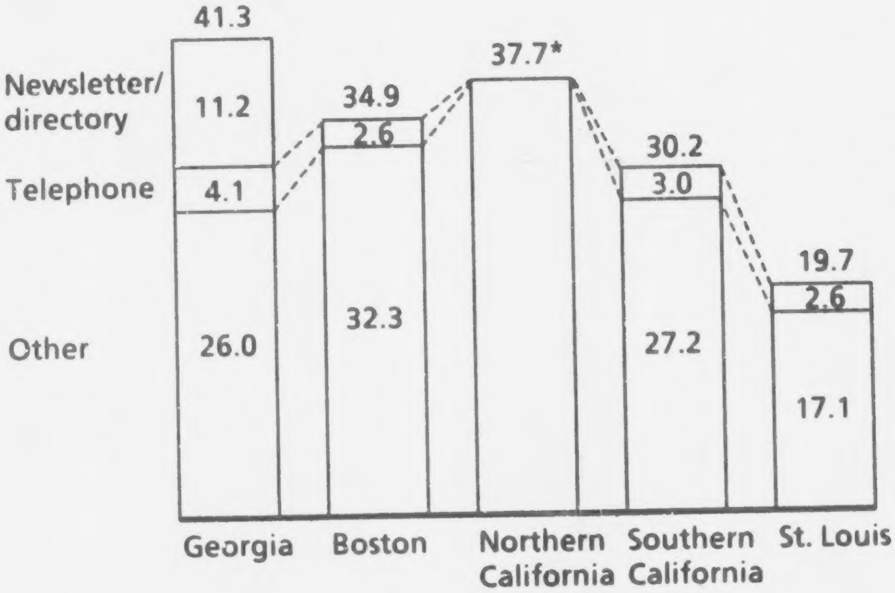
EXPENSES – FY 85
$ Thousands



Source: Annual reports; JASG ledger

OFFICE EXPENSES OTHER THAN RENT – FY 85

$ Thousands

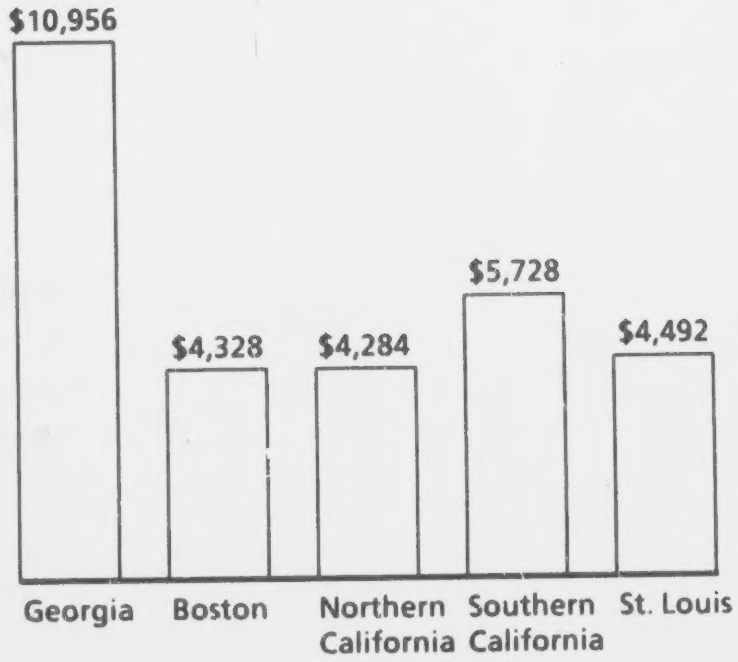


	Georgia	Boston	Northern California	Southern California	St. Louis
Percentage of total expenses	28%	21%	20%	19%	26%

* Telephone amount not available

Source: Annual reports

DOLLAR VALUE OF RENT – FY 85



Source: Annual reports

ANALYSIS OF SOCIETY RENT SITUATIONS

Society	Sq. ft.	Rental rate* per sq. ft.	Comments
Georgia	913	$12	Board member Sam Williams runs Peachtree Center and was able to charge the Society a rate lower than the going rate; lease expires at the end of FY 87
Boston	400	11	In a building which has two floors for non-profit organizations; building owner uses them as a tax write-off
Northern California	483	11	In a building owned by another non-profit organization, so space is rented at cost; don't need space for Xerox machine or mailing machine because service is provided at cost one floor below
Southern California	600	14.5	Pays the going rate in a cheap section of Los Angeles (Little Tokyo)
St. Louis	200	22.5	Pays the going rate in downtown Clayton, ten miles from downtown St. Louis

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* Latest rental rate, so may not reflect FY 85 rental rate

Source: Society interviews

RENT OPTIONS

Option	Net financial impact
- Reduce square footage from 913 to 700	$2,560
- Attempt to negotiate no rent increase after lease ends in FY 87	0

Source: McKinsey analysis

EXPENSE EVALUATION

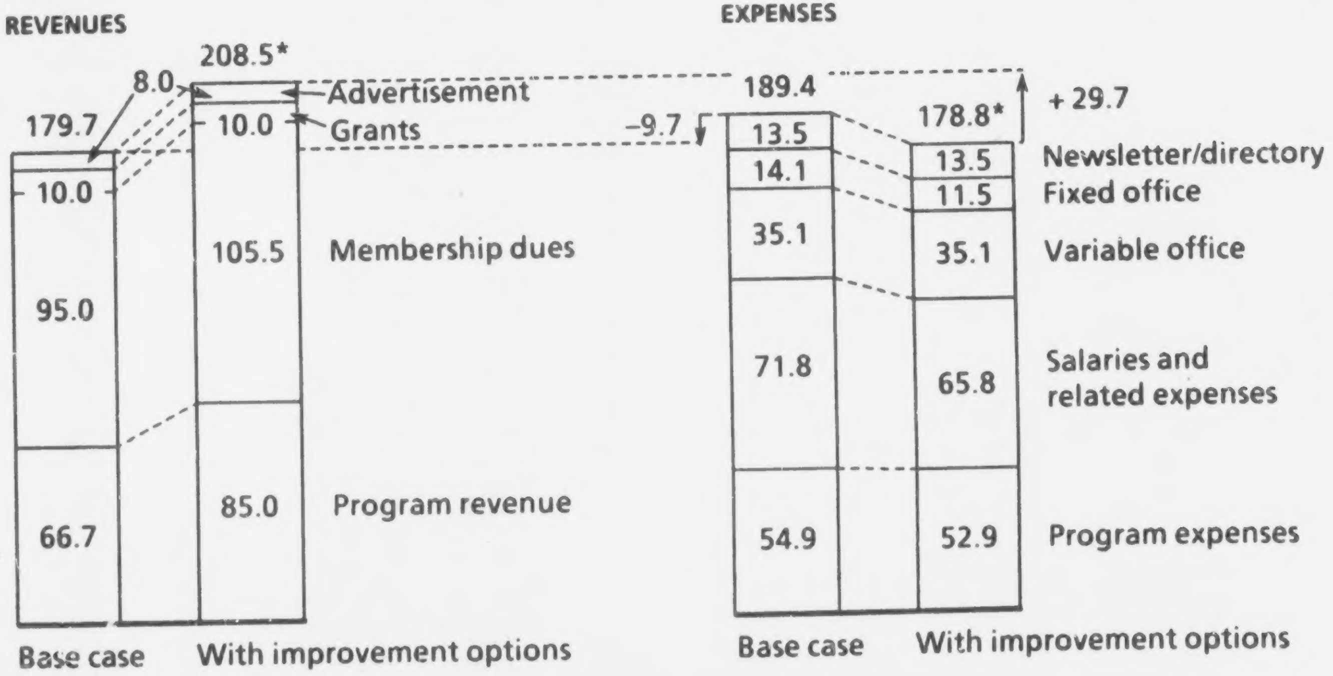
Expense category	Situation	Options	Net financial impact FY 85	Net financial impact FY 88*
Program expenses	- Georgia has average program expenses and may be able to defray some costs	- Find relevant co-sponsors: associations who are affiliated with the lecture subject (i.e., Dept. of Industry and Trade) to contribute 25-50% of cost for business programs	$1,700-3,400	$ 1,970-3,940
Salaries and related expenses	- Georgia has below average salary expenses, however cost of living is lower here than elsewhere - Next FY, there is an intended 15% salary hike	- Limit FY 87 raise to inflation (5%)	-	5,950
Rent	- Georgia has rent over twice the amount of other societies	- Reduce square footage to 700 - Attempt to negotiate no rent increase after lease ends in FY 87	-	2,560
Total				$10,480-12,450

* Adjusted by inflation of 5%/year

Source: McKinsey analysis

REVENUES AND EXPENSES WITH IMPROVEMENT OPTIONS – FY 88

$ Thousands



* Base case adjusted using lowest FY 88 net financial impacts from pages 27 and 36

Source: McKinsey analysis

REVENUE OPTIONS - IMPLEMENTATION PLAN

PRELIMINARY

Options	Net financial impact FY 88	Time frame	Responsibility
Programs			
- Business: break even, at least	$ 1,160	This year	Program Committee
- Social: raise prices $15 per person on golf tournament and annual dinner	8,470	This year	Program Committee
- Cultural: Charge going rate for films	580	This year	Program Committee
- Fund-raisers: have a bazaar or benefit dinner	4,640-6,960	1-2 years	Program Committee
- Paid services: have language training/orientation program	3,480-9,280	1-2 years	Program Committee
Subtotal	18,330-26,450		
Membership			
- General			
. Increase American membership to 0.017% penetration	0	1-3 years	Membership Committee
. Raise average dues to $50	5,500	2 years	Membership Committee
- Corporate			
. Find corporate sponsors on a rotating basis	5,000-10,000	1-3 years	Membership Committee
Subtotal	10,500-15,500		
Grants			
- Hitachi Foundation		1-2 years	Staff
- The Japan Foundation		1-2 years	Staff
- U.S. Japan Foundation		1-2 years	Staff
- State government		1-2 years	Staff
- Keidanren		1-2 years	Staff
Total	$28,830-41,950		

Source: McKinsey analysis

EXPENSE OPTIONS - IMPLEMENTATION PLAN

Options	Net financial impact FY 88	Time frame	Responsibility
Program expenses			
- Finding relevant co-sponsors	$ 1,970-3,940	1-2 years	Program Committee
Salaries and related expenses			
- Keeping to inflation rate	5,950	This year	Executive Committee
Rent			
- Reducing square footage	2,560	2 years	Finance Committee
- Negotiate keeping rent the same after FY 87	0	1 year	Finance Committee
Total	$10,480-12,450		

Source: McKinsey analysis

THE
JAPAN
AMERICA
SOCIETY
OF
GEORGIA

NEWS
LETTER

Vol. VI, No. 1
February 1986

Japanese Education Culture-Bound

"What Can We Learn from Japanese Education?" Mr. Edward B. Fiske, Education Editor for *The New York Times*, answered his own question, the title of a talk on January 28, by saying, "not a lot because the culture is so different." Mr. Fiske spoke before an audience of nearly 60 people at Oglethorpe University, during a visit co-sponsored by The Japan-America Society of Georgia and Oglethorpe University.

As background, Mr. Fiske explained that the Japanese public education system is a 6-3-3 system, and compulsory through the ninth grade. While not "tracked" within grade levels, students desiring to attend Japan's best schools must take entrance exams at the end of their elementary, junior and senior high school experiences. The school year is long, 240 days rather than 180 as in the U.S.

Competition is especially rigorous for the senior high and college levels. This is because the most desired employment positions are recruited predominantly from certain prestigious universities.

Differences in Japanese and American society account for the considerable strengths as well as weaknesses of their respective school systems. Mr. Fiske noted that the Japanese seem to "violate all the rules" we have for what makes a good education. For example, classes are large, averaging 45 pupils. Social promotion, frowned upon here, is the accepted norm in Japan. Moreover, there is no tracking by level of ability. And unlike the U.S., where teachers seek to be "free to teach" without the burden of outside non-teaching responsibilities, teachers in Japan are very involved in the outside life of students.

Japan's very different cultural context accounts chiefly for these differences. Mr. Fiske identified four areas of contrast in particular. Unlike the U.S., he noted, Japan is a remarkably homogeneous country, both ethnically and socio-economically. Secondly, Japanese take their self-identity from membership in a group, rather than as individuals like we do. Japanese do not want to stand out from the crowd, and hold to the adage that "A protruding nail is hammered down."

Edward B. Fiske

A further major difference, Mr. Fiske explained, is the importance attached to education in Japan. In a country the size of California with few natural resources, people must "live by their wits." Education represents a valuable national resource. Teachers, as developers of that resource, are respected accordingly. Education is particularly important for its "credentialing function." *Where* one learned is more important than *what* one learned.

A final difference exists in the very concept of what education is. Japanese education stresses the teaching of facts, with little emphasis on developing critical thinking and bringing out a student's individual potential, an ideal of U.S. education. This emphasis on facts makes the examination system credible, because knowledge of facts can be tested.

The problems of both educational systems are the flip sides of their strengths. The Japanese system brings a large number of people to a very high level. But Japanese themselves are quick to point out that it does so at the expense of creativity.

A second problem recognized by the Japanese is school violence, especially among junior high males. While not significant by U.S. standards, the growing number of incidents seems partly a result of social promotion through ninth grade. Children who have been pulled along with their peers begin to realize their life-long opportunities will be limited and that many doors will be closed because of educational deficiencies. Some express their frustration by acts of verbal and physical violence against teachers and parents.

Expect More

The Japanese and American educational systems are so imbedded in radically different cultures and societies that Mr. Fiske doubted the efficacy of direct transfer of techniques or organizational systems. Each system, he felt, serves its society's needs extremely well. What the U.S. can best learn from Japanese education lies in the arena of attitudes. First, more respect and status should be accorded to teachers, along with salaries that reflect that high regard. Secondly, more importance should be given to education as a national resource. As frontiers close and natural resources are depleted, Americans will more and more have to "live by our wits" as the Japanese have for so long.

In addition, Mr. Fiske recommended that America would do well to assume higher expectations from its children. When parents and teachers expect more, children will deliver more.

Mr. Fiske's talk was followed by comments from Dr. Donald Schneider, Dr. Everett Keach, and Mr. Masafumi Honda, all of the University of Georgia, and by questions from the floor.

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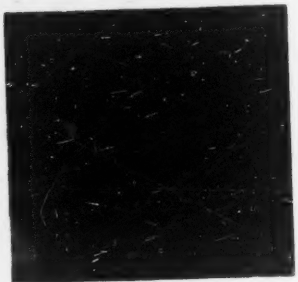
International Cooperation Urged In Monetary Policies



Robert Forrestal

Mr. Robert Forrestal, President of the Federal Reserve Bank of Atlanta, told the Executive Forum of The Japan-America Society of Georgia on January 16 that he does not expect the yen-dollar ratio to decline in the near future.

In his address on international currency changes, Mr. Forrestal briefly outlined the post-War history of the international currency system, and then turned to recent Japanese-American currency relations. He noted the dramatic change in the dollar-yen exchange rate over the past decade, describing how the dollar had advanced from a low of 175 yen to the dollar in 1978 to a peak of 280 yen in October 1982. In February 1985, the dollar stood at 263 yen, but declined slowly to 240 by mid-September, primarily due to lower U.S. interest rates. It fell another 17 percent by mid-November, when it reached the 200-205 range where it has essentially remained.

Mr. Forrestal noted two major reasons for this decline. One was massive intervention in the foreign exchange markets by the Group of Five countries, especially the U.S. and Japan, and the other, a lower interest rate differential. He pointed out that the Japanese government had contributed substantially to the narrowing of the interest-rate differential by tightening its monetary policy, even though this would inevitably have some adverse effects on Japan's economic growth, at least in the short run.

Further realignment of the two currencies would be limited by the special characteristics of the Japanese economic and financial systems, Forrestal explained. He reminded the audience that although Japan would continue to run a significant trade surplus with the U.S., Japan itself tends to run a trade deficit with the developing nations because of its heavy reliance on imported raw materials. And with the foreign exchange they earn from such sales, the developing countries, in turn, can continue to be a major market for the U.S., thus creating a trade cycle.

In addition, Japan's higher savings and lower domestic financing requirements inspire capital flows out of the country, much of which reaches the U.S. and indirectly helps finance our huge federal deficit. This, he said has allowed a unique phenomenon—record deficits, but with low inflation, rather than the classic "crowding out" of funds by high deficits.

Mr. Forrestal described financial system reforms now underway in Japan to increase capital flows in and out of Japan, widen access by foreign financial institutions, and, in general, internationalize the yen. But many American financial institutions, he said, feel that they still do not have the same degree of access in Japan that Japanese have attained in American financial markets.

Turning to solutions for certain remaining international currency problems, Mr. Forrestal suggested that despite its flaws, continued use of the flexible exchange rate system, perhaps combined with fairly wide "target zones," would be desirable. He also applauded recent attempts at international coordination of monetary and fiscal policies, rather than stopgap measures, such as intervention. In this respect, he said, the U.S. must be prepared for somewhat less national fiscal and monetary policy autonomy.

In addition, Mr. Forrestal stressed that the U.S. must bring its deficit under control. The Gramm-Rudman law is a needed, though imperfect, step in the right direction. Japan, Forrestal felt, could help by expanding its role as an international currency and so take some of the pressure off the U.S. dollar. Ongoing firmness in Japanese interest rates would be useful in this, particularly if this were done by loosening fiscal policy rather than by tightening monetary policy.

Mr. Forrestal's presentation was followed by remarks by Mr. Archie Davis, General Vice President of C & S Bank, and Mr. Yoshiro Kumaki, Atlanta representative of the Industrial Bank of Japan.

Additions & Corrections

The JASG is pleased to announce that Mr Robert Forrestal has agreed to join our Business and Banking Subcommittee.

Other new committee members are: Finance Committee - Mr. Jim Lientz, Mr. Jerry Licari, Mr. Yoshiro Kumaki and Mr. Gregg Summe.

We also regret that in our list of Business and Banking Subcommittee members in the December issue, the name of Mr. H. Cartan Clarke was presented incorrectly.

Atlanta JETRO Head To Speak

Mr. Shusaku Hirano, head of the Atlanta JETRO office, will speak at the next Executive Forum meeting April 17.

JETRO, the more familiar name for the Japan External Trade Organization, has been represented in Atlanta since Mr. Hirano opened the office here in October 1985. One of JETRO's major functions is to promote exports to and investments in Japan.

At the April 17 meeting, Mr. Hirano will discuss "Investment Opportunities in Japan." The meeting at the Commerce Club will begin as usual at 6:00 p.m., and be preceded by a reception at 5:30.

Japanese Art Sought for Memphis International Festival

Japan has been selected this year as the focus of the annual Memphis in May International Festival. Dr. Carol Crown, chairman of the Memphis State University Art Department, has asked members of JASG to help locate original works of Japanese art to be exhibited in conjunction with the Festival. She is interested in contacting collectors who might be willing to loan works for exhibit in small, secure museums and galleries in banks, libraries, etc. Space is available for paintings, prints, tapestries or fabric, sculpture, pottery and videos.

If interested, contact Dr. Carol Crown, Department of Art, Memphis State University, Memphis, TN 38152.

Japanese Artist Delights in Audience

An audience of close to 70 gathered in the Recital Hall of Georgia State University on January 17 to watch Ms. Kazan Hoshina, a noted painter from Tokyo, give a demonstration of the traditional Japanese art of *suiboku* painting. Ms. Hoshina was brought to Atlanta under the auspices of The JASG, the Consulate General of Japan and the Japan Foundation.

Raised in the prominent and privileged Tokugawa family, Ms. Hoshina attributes her appreciation for traditional Japanese art in part to the benefits of being surrounded by fine pieces of art from a very young age.

In a remarkable demonstration of experience and skill, Ms. Hoshina awed the audience with her ability to use "India" ink, mixed with varying degrees of water, to express the most subtle and suggestive images. It was the importance of controlling the amount of water, Ms. Hoshina stressed, that made her prefer the term *suiboku-ga* or "water and ink paintings," rather than the more familiar term of *sumi-e*, which literal means "ink-painting."

Ms. Hoshina stressed that in *suiboku-ga*, as in many traditional Japanese arts, having the correct frame of mind and a serene heart at the moment of execution are very important. First introduced to Japan by a Zen Buddhist monk in the 8th century, the art form shares much in common with that religion. It is suggestive, aiming to express the essence of a subject, rather than its form or exterior features. And in the same sense, she said, instructing in *suiboku-ga* is best done non-verbally, through demonstration, so that the viewer can interpret what he sees. Part of this suggestiveness is the use of space—intentionally leaving areas blank. This space is an integral part of the whole.

Ms. Hoshina quoted a Japanese *noh* mask carver to illustrate an important feature of her own art—the ability to know when to stop. "I often find, when I am working, that the mask begins to speak to me. And that, I think, is the time to stop. If I continue, the mask ceases to speak. That means I have done too much." Less rather than more—that is an essential feature of Japanese art, and distinguishes it, she said, from Chinese art.

Mrs. Rachel Preston and daughter.

With *suiboku-ga*, the artist has only one opportunity to accomplish her goal. She cannot go back later to make corrections or additions.

Since Japan's emergence from isolation in the late 19th century, and the growing influence of Western art in Japan, *suiboku-ga* has fallen out of favor with many contemporary artists. Many feared that Westerners would view the simple ink lines on thin paper as "merely sketches." For them, what was an essential characteristic of Japanese art became a fault. Ms. Hoshina believes that this attitude is compromising contemporary Japanese painting.

"But it Looks so Easy"

The remarkable apparent ease with which Ms. Hoshina executed her paintings was appreciated even more fully by the twenty fortunate participants in the three-hour *suiboku-ga* workshop held at the Callanwolde Fine Arts Center on Saturday, January 18.

After a preliminary demonstration by Ms. Hoshina of the proper use of the brush with ink and water, each participant sat with his own set of brush, ink stick, ink-stone, water and paper. Working from sample paintings, the participants practiced numerous techniques and skills required to execute even the "simplest" of subjects.

As Ms. Hoshina had said, the proper mixture of water and ink—darkest at the tip of the brush, and gradually growing lighter toward the top—was difficult to attain. The years of patient practice needed to gain Ms. Hoshina's degree of skill soon became apparent to all there.

Ms. Hoshina demonstrates *suiboku*.

The intense concentration required and the need to rest in the middle of a large work were also more fully appreciated. For a *suiboku* artist, all of one's powers of concentration are called upon, because paintings are drawn with no preliminary sketching. The artist's skill, discipline and concentration are all brought together at one time to express the essence of the subject. The proper combination in *one brush stroke*, of varying shades of dark and light, is achieved through control of the speed and pressure of the brush.

Georgia Export Promotion Seminar Planned

Georgia Business Inc.: A Global Strategy promises to be a major event in promoting the export of Georgia services and products. Sponsored by the Women's Chamber of Commerce, this full-day seminar on March 13 is supported by The JASG, the World Trade Club, the Business Council of Georgia, the Georgia Department of Industry and Trade and the Southern Center for International Studies.

The seminar will provide in-depth information on current trends in international business and methods for entering foreign markets, among other major topics. Panel discussions will include:

International Business in the Context of Economic and Political Change, with Robert Forrestal, President of the Federal Reserve Bank of Atlanta; Robert Harlin, Senior Partner, Powell, Goldstein, Frazer & Murphy; and Gene Dyson, President of the Georgia Business Council and others.

Keys to the Successful Penetration of the International Market: Practical Applications with Sidney Topol, Chairman of Scientific Atlanta; Leo Benatar, President of Engraph, Inc., and James Balloun, Managing Director, McKinsey & Co.

For more information, contact the Women's Chamber of Commerce, 892-0538 or The JASG, 524-7399.

Frustrating Communication Between Japanese and Americans

By Allan Smith and Toshi Kii

When a person of one culture interacts with a person of another culture, each brings his own cultural presuppositions, including stereotypes about the other's culture, into that interaction. It is often surprising what those stereotypes are and the consequences they bring about. Americans generally assume that the world shares their culture and that anyone who can speak English can understand what they mean. Japanese, on the other hand, generally assume that Japanese culture is unique and that anyone who is not Japanese cannot understand anything that is "Japanese." A simple example is language.

. . . reality [is] denied in favor of that stereotype.

Americans assume that there are two kinds of foreigners, those who speak English and those who do not, and nothing in between. Perhaps this is because, as a general rule, Americans do not study foreign languages and, if they do, do not learn them. Americans who have not experienced trying to communicate in a foreign language have trouble understanding its difficulties and the distinction between problems in communication arising from differences in language and those arising from differences in culture and customs. Many times an American assumes that, because a foreigner can understand various greetings and is able to discuss topics such as the weather, he or she is a fit recipient for a high-speed discourse on any subject, no matter how unique the topic may be to America. On the other hand, if the foreigner either says something which is not understandable or does not understand something that is said, he or she may thereafter be presumed not to be able to speak or understand any English. Occasionally, a translation from English to English by a "Japanese expert" is necessary because the foreigner did not comprehend some earlier reference to, for example, rituals pertaining to a local college football rivalry and has been relegated from the speaker to the non-speaker category. The conversation may then proceed something like this:

Smith: "Where do you live, Mr. Kii?"
Kii: "Dunwoody."
Smith: "What?"
Kii: "Dunwoody."
Smith: "What did he say?"
Matthews: "Dunwoody."
Smith: "Oh."

Japanese, on the other hand, generally presume that foreigners do not speak Japanese and, further, that they do not, and cannot, do anything that is "Japanese," including eating with chopsticks, sitting without the aid of a chair or taking off shoes at the door. Foreigners who speak Japanese were constantly referred to as **hen na gaijin** ("strange foreigners") for years in Japan. This has changed somewhat thanks to the proliferation of **gaijin** who have become **terebi tarento** ("television talents") on Japanese game and talk shows lately. But still a foreigner will occasionally be called "strange" because he speaks Japanese by someone who invariably thinks the foreigner is hearing it for the first time. A Japanese-speaking foreigner is so unusual that many people cannot believe their ears. A typical experience of many Japanese-speaking foreigners in Japan goes something like this conversation:

Smith: *Kochi e no kippu ichimai kudasai.*
("I'd like a ticket to Kochi.")

Clerk (haltingly): "I'm sorry, I don't speak English."

Smith: *Sore de wa, Nihongo de hanashimashoo.*
("Let's speak Japanese, then.")

Clerk: *Nihongo ga hanasemasu ka?*
("You mean you speak Japanese?")

Smith: *Hai. Kochi e no kippu ichimai kudasai.*
("Yes, I'd like a ticket to Kochi.")

Clerk: *Hai, doozo.* (To himself: *Shinjirarenai. Nihongo ga dekiru*
to *wa.*)
"Here's your ticket." (To himself: "I don't believe it. He speaks Japanese.")

In both the examples above the listener is not paying attention to what is happening or trying to understand, but instead is relying on his expectations of what should happen. The problem seems to arise when a principle that is generally true is taken to be always true and reality denied in favor of that stereotype. One of the writers recently experienced this phenomenon of overgeneralization on a trip to Japan when he rode with a bus-load of first-time visitors to Japan. After several days in Japan the group was trading observations on Japan, such as that the Japanese were quiet and, therefore, even their traffic was quiet, despite the din of rush-hour taxi horns surrounding the bus. The most amazing observation, however, was that Japanese dogs wear diapers. The reasoning was that: 1) Japanese do not wear shoes in their houses, 2) dogs do not wear shoes at all and, therefore, have nothing to remove at the door, 3) therefore, dogs cannot go outside, and, 4) therefore, they wear diapers. Pointing out a man walking his dog sans diaper did not help; the speaker had read about doggie diapers in a book and clung to this bit of pregathered misinformation.

Even when stereotyping is not as bizarre as this, it can still foster misunderstanding and hurt feelings on both sides. Invariably, people who have spent a great amount of time and effort to learn about and adapt to another culture are offended when they are lumped together with other "foreigners." Also no one likes to hear stereotypes about one's own culture or nation, especially when they do not apply to the listener.

. . . foreigners . . . conclude that Americans are friendly, but simple-minded.

In language stereotyping, Americans who converse with foreigners who have a less than perfect command of English often presume that they are unintelligent and begin speaking to them as if they were children. This causes the foreigners to conclude that Americans are friendly, but simple-minded. The conversation continues to deteriorate until both parties give up in total frustration.

So, misunderstanding develops from two different directions. Americans presume English and the cultural values implicit in the English language are universal. Anybody who speaks English is supposed to comprehend whatever Americans are talking about. Japanese, on the other hand, presume that the Japanese language and the culture it represents are so different that nobody but Japanese would truly be capable of comprehending them.

Are we patient enough to meet on some middle ground?

Allan Smith is with the law firm Kilpatrick and Cody. Dr. Toshi Kii is Associate Professor of Sociology, Georgia State University.

Deadline

The deadline for material to be submitted for the April *Newsletter* is March 18.

Regularly $40.00 ** SPECIAL OFFER ** For JASG Members $32.00

A DAY IN THE LIFE OF JAPAN

In the late spring of 1985 a strange thing happened on the world's news fronts. In London, Paris, New York, Beirut, Central America and the Middle East, 100 of the world's leading photojournalists packed their cameras in canvas shoulder bags and boarded planes bound for Tokyo. Their assignment? To see if they could capture the life of a nation on film during the course of a single 24-hour period.

A Day in the Life of Japan is a rare glimpse at the people behind the cliches, the modern world citizens behind the ancient rituals, the human faces behind the factories and robots.

In *A Day in the Life of Japan*, you will go on assignment with members of the most illustrious photography team ever assembled. Start the day in the cockpit of a bullet train speeding out of Tokyo with *Fortune* magazine photographer Paul Chesley. Join *National Geographic's* Rich Clarkson as he visits the home of Akio Morita, chairman of the giant Sony Corporation. Go to a small mountain village with Pulitzer Prize winner Eddie Adams. Look in on Japanese gangsters with Iranian photographer Abbas. Penetrate the solitude of a Buddhist monastery with *Time* magazine's Matthew Naythons.

A Day in the Life of Japan is the scrapbook of a nation and a wonderful gift for anyone interested in Japan. The hundreds of color and black and white pictures in this book were chosen from almost 135,000 shot on June 7, 1985. None is twenty-four hours older or younger than any other.

The Japan-America Society of Georgia is pleased to offer members this elegant 240-page coffee table book at a special price of $32.00 plus $4.00 postage (regularly $40).

Promotion for *A DAY IN THE LIFE OF JAPAN*

TIME Magazine (22-page cover story, November 4, Int'l Edition), *NEWSWEEK* (full page review, November 18, Int'l Edition), *ESQUIRE* Magazine (12-page feature story, December issue), *THE TODAY SHOW* (author interview, December 26), *The Wall Street Journal* (Dec 26th), *People* magazine (Jan 20th issue), *New York* magazine (Jan 20th issue), *Popular Photography* (Cover Story, March '86 issue).

(Please detach here)

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THE JAPAN AMERICA SOCIETY OF GEORGIA

CALENDAR

Vol. II, No. 2
February 1986

PLEASE NOTE: The Calendar will be produced monthly as a means of notifying members about upcoming programs/special events. The JASG will no longer be sending individual invitations, except for special occasions such as the Annual Dinner. To make program reservations, please use the attached form and mail it along with your check to The JASG office. To include your program/special event in the Calendar, contact The JASG at 524-7399.

SOCIETY-SPONSORED ACTIVITIES

Through March 2, 1986	**Japanese Garden & Landscaping Classes** — Co-sponsored with the Atlanta Botanical Gardens, a series of classes will be held each Sunday. *February 23* **Living Jewels of a Japanese Garden** — Presented by Mr. Woody Bates of The Coca-Cola Company. Time: 3:00-4:00 PM. Location: Atlanta Botanical Gardens, Piedmont Park at S. Prado. Cost: $5.00 per adult; students, free. *March 2* **The Art of Bonsai** — Presented by Mr. David Cook. Time: 3:00-4:00 PM. Location: Atlanta Botanical Gardens, Piedmont Park at S. Prado. Cost: $5.00 per adult; students, free.
February 27, 1986	**JASG Annual Dinner** — The Ritz-Carlton, Buckhead. Silent Auction of quality Japanese art, 6:00-8:00 PM. Japanese Reception, 6:30-8:00 PM. Dinner, 8:00 PM. Cost: $60.00 per person. Corporate tables (seating capacity of 10 per table): $600.00 each table. **Reservation deadline: February 20.** Additional information on the silent auction will be mailed to each member the second week of February.
March 13, 1986	**Georgia Business Inc.: A Global Strategy,** World Trade Club, 9:00 A.M. - 4:30 P.M. This full-day conference is being sponsored by the Women's Chamber of Commerce and supported by The JASG, the World Trade Club, the Business Council of Georgia, Georgia Department of Industry and Trade, and the Southern Center for International Studies. Cost: $95 per person, includes lunch and reception; after March 1, 1986 the cost is $125 per person inclusive. For addition information, contact W.C.C., 892-0538.
April 17, 1986	**Executive Forum** — "Investment Opportunities in Japan" is the topic for our speaker, Mr. Shusaku (Steve) Hirano, Director, JETRO, Atlanta. Reception begins at 5:30 P.M., Commerce Club, Sterne Room, 14th Floor, 34 Broad Street. Cost: $15.00 for JASG members; $20 for non-members for the lecture & reception.
October 12-14, 1986	**11th Annual S.E.U.S.-Japan Governors' Conference,** The Homestead, Virginia. Additional information will be forthcoming.

OTHER JAPAN-RELATED ACTIVITIES

March 5, 1986	**Nichi-Bei Box Lunch Seminar,** Brenau Professional College, 6745 Peachtree Industrial Boulevard, Atlanta. "Japanese Swords, Arms and Armor" will be the topic of a talk and display presented by Mr. Bill Miller of Nissho Iwai. Cost: $10.00 covers the cost of a catered Japanese box-lunch and the talk. $5.00 without the lunch. Contact Dr. Don Smith at (404) 466-2900.
April 2, 1986	**Nichi-Bei Box Lunch Seminar,** Brenau Professional College, 6745 Peachtree Industrial Boulevard, Atlanta. "Japanese-American Relations in Japanese Businesses in the U.S.A." is the topic of a panel with Mr. Norio Tsubokawa of YKK Inc. and Mr. Alex Gregory of the Myrick Company. Cost: $10.00 covers the cost of a catered Japanese box-lunch and the talk. $5.00 without the lunch. Contact Dr. Don Smith at (404) 466-2900.

日米協会の便り

昭和六十一年二月号
アトランタ・ジョージア

日米協会発行のNEWS LETTERの紙面拡充、読者層増加を期待して、今度日本語ページを設ける事に致しました。皆様の御役に立てば編集子として幸甚です。

◇

「是正進むドル・円レート」

一月一六日、日米協会主催の「EXECUTIVE FORUM」で講演された米国連邦準備銀行、アトランタ支店長ロバート・フォレスタル氏の講演要約をお届けします。

国際通貨変動と題する同氏講演の中で、ドル・円レートが一九八五年二月二六三円、九月中旬に数り主に米国金利の低下に伴い穏やかではあるが二四〇円に、そして一一月には二〇〇－二〇五円の水準にまで円高となり、基本的には定着した事を最近の劇的なドル・円為替レート変動と認め乍らも、更に近い将来ドル・円レートの一段下げを期待していない。

このドル高是正の背景には、二つの大きな理由があり、そのひとつは米国・日本を中心とする所謂G－5の為替共同介入であり、今ひとつは低金利下の金利差である。「日本政府の金融引き締めが、経済成長に逆効果・不可避にも拘らず、ドル高是正に貢献している。」と主張すると同時に、日本は引続き対米貿易黒字を続けようが、原材料を大きく輸入に依存するだけに、発展途上国に対しては貿易赤字になろうし、他方それらの国は米国にとり大市場となり、これが貿易サイクルを創出する事になろうと参加者に喚起を促した。

又、日本の高貯蓄性向と低い国内金融需要が、資本の国外流出、就中、対米流出に拍車をかけ、これが間接的に米国の莫大な財政赤字の金融に役立っている点に注目、日本が金融システムを民営移管しているが、多くの米国金融機関では米国における日本金融機関が享受すると同程度の活動の場がないと指摘している。

最後に、同氏は今尚現存する国際通貨問題の解決に触れ、欠点はあろうがかなり中を持たせた「TARGET ZONES」を組み合わせた、柔軟な為替レートシステムの継続実施が望ましいと提案、介入等の一時しのぎ的手段より、金融・財政政策で最近試みられた国際協調を高く評価、加えて米国は赤字を制御可能範囲まで至急縮小せねばならないと指摘している。

日本は、国際決済通貨としての円の役割の強化を強化すれば、ドルに対する圧力の軽減に相当寄与しようし、日本の金利が殊に金融引き締め策より財政緩和策によりさらに定着に向かえば、ドルへの貢献に繋がろうという感想を述べた。

◇

「日米の教育制度の比較」

一月二八日のニューヨーク・タイムズ紙の教育課編集長エドワード・フィスク氏の講演の要点を下記に掲げます。

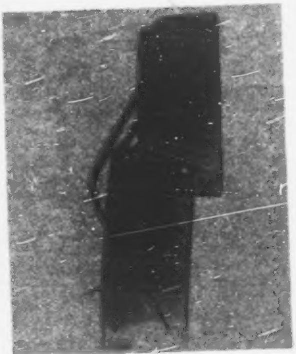
日本と米国の教育制度は構造の面でも、内容の面でもかなり違う。例えば、一年間の登校日は日本では二四〇日であるのに、米国では一八〇日である。日本の学校は文部省による中央集権化された制度をとるが、米国では各州、各郡にいたるまで、分散化された形をとる。文化、習慣の違いも日米の教育内容の相違にかなりの影響がある。日本の生徒は同一民族、幅広い中産階級の子女であるのに対し、米国の生徒は貧富に格差のある家庭、多種多様の民族、宗教の違うグループから送られてくる。この違いが多分、日本では教育が生徒の個性をのばす場ではなく、出る釘は打たれるというように、逆に抑圧させることになっているのかもしれない。

しかし、最大の違いは、日本では教育の意味が、社会、文化、技術の情報を得る機関とされているのに対し、米国の教育の意義は、いかにして各個人の個性、可能性が達成できるかという所に重点が置かれていると思える。この意味では、日本の学生にとっては非常に困難な入試制度の意義、塾の存在が理解できる。なぜならば、日本は資源の貧しさのために、人間資源しかなく、多数が高度な教育を受ける。米国では教育に失敗しても、資源の豊かさに頼るところがあり、人生に二度以上チャンスが与えられるところがある。

◇

前記の日本語のタイプは、ブレナウ大学の御好意によるものです。厚くお礼を申し上げます。

Annual Dinner To Feature Silent Auction



A work by Toko Shinoda.

The Sixth Annual Dinner of The Japan-America Society of Georgia, to be held on February 27 at the Ritz-Carlton, Buckhead, will feature a unique "silent auction" of art from Japan.

The Society has been able to arrange for an excellent selection of artwork by some of Japan's leading artists to be available to Society members in a "silent auction" prior to the dinner.

Over 50 works by 25 artists will be featured in this fund-raising endeavor. The style of work will range from woodblock prints to traditional Japanese painting to contemporary works. Most of the artists are well-known in Japan, and include Sadao Watanabe, Yoshitoshi Mori, Ryohei Tanaka, Shigeki Kuroda and Toko Shinoda. Two American residents of Japan, Ted Kolyer and Clifton Karhu, will also be represented.

The Katie Kilgore Collection of Dallas, Texas, was responsible for assembling this collection of outstanding art.

In the silent auction, each work will be displayed with a "bid-sheet" below giving the minimum bid. Those who wish to bid are to sign their name and state their bid.

The purpose of this silent auction is to raise funds for the Society, which has been informed by the Japan-U.S. Friendship Commission that the Commission's three-year funding of the Society's administrative costs will cease at the end of 1986. We now look forward to the challenge of moving ahead on the foundation that Commission funding has helped us create. You can aid in this task and acquire a wonderful piece of art at the same time. So be sure to set aside time before the Annual Dinner to take part in the auction.

Mike Mansfield Award to Honor Fred Chanoki, Robert Broadwater

Beginning this year the Society will use the occasion of the Annual Dinner to present the newly established Mike Mansfield Award. Two individuals—one from Japan and one from Georgia—who have contributed the most toward meeting the goals and objectives of the Society during the preceding year will be selected to receive the award.

This year's recipients are Mr. Fred Chanoki and Mr. Robert J. Broadwater. Mr. Chanoki, President of Murata-Erie North America, Inc., has been a resident of Georgia for over ten years. He has provided invaluable service since the founding of the Society by promoting better relations between the people of Georgia and Japanese residents in Georgia.

Mr. Broadwater recently retired as Executive Director of the Society, after serving in that position from March 1983 to August 1985. Under Mr. Broadwater's leadership, the Society entered a new stage of growth and development. Mr. Broadwater now serves as Senior Advisor to the Society.

The newly instituted annual award was named after the highly respected current U.S. Ambassador to Japan, Mike Mansfield, after Ambassador Mansfield graciously agreed to allow the award to be named after him. Award recipients are not limited to Society members.

Garden Series Off to a Good Start

Mr. David Blau lead off the Japanese Garden Series co-sponsored by JASG and the Atlanta Botanical Garden on January 26. A master gardener, Mr. Blau has been a student of bonsai and Japanese gardening for many years. His informative and lively talk, "Japanese Gardens—An Art Form," was fully appreciated by the audience of over 50 at the Atlanta Botanical Garden. Distinguishing between a worker, a craftsman and an artist, Mr. Blau said that a worker works with his hands. A craftsman works with his hands and head. But an artist works with his hands, head and *heart*. And this, he said is what makes the creation of a Japanese garden an art form.

Using an extensive collection of slides from his recent trip to Kyoto, including slides of moss, sand and stone gardens, Mr. Blau noted that nearly 80 percent of all ornamental plant material used in Georgia originates in Japan.

The Garden Series continues through March 2. See the *Calendar* for details.

Japanese Summaries Begin

As you can see on the opposite page, Japanese summaries of lead articles will now be a featured part of the *Newsletter*. This issue carries a summary of Mr. Edward Fiske's talk, reported by Dr. Toshi Kii, and a second on Mr. Forrestal's talk, prepared by Mr. Mike Miyazaki. Japanese language typesetting was generously supplied by Dr. Donald Smith of Brenau Professional College.

Japan Education Network Moves Ahead

JENGA, the Japan Education Network of Georgia, met on January 28 to review its progress. JENGA is a group of educators working closely with JASG, the Japanese Consulate General and Japan specialists in Georgia's universities and colleges.

Five separate curriculum development projects are slated for 1986, and significant progress has already been made in several. Two projects are aimed at primary grades. One is "Japan-in-a-Box," a multi-media instructional kit of materials to introduce children to Japanese life and culture. Various items of use in everyday life will be included. The parents of children at the Japanese Language School are cooperating in this project.

The second primary school project is "Sampler Lessons." To be integrated into the social studies curriculum of grades K through 5, these lessons will emphasize cultural similarities and differences between American and Japanese children.

The first of two middle grades projects is an interdisciplinary unit with lessons developed along thematic lines. Data and conceptual knowledge will be drawn from various social studies disciplines and the humanities. The second project, "Japan-in-Georgia," will study the influence of Japanese persons, businesses and culture on Georgia and Georgians.

The high school level project will prepare a series of lessons for the separate disciplines taught at the secondary level, such as economics, geography and world cultures.

Corporate Profiles

Alexander & Alexander, Inc.

Alexander & Alexander is the second largest international insurance brokerage company, providing a broad range of risk management and financial services to companies of all kinds and sizes.

The company plans, places and services all types of insurance programs — principally casualty, property, marine, life and group. It provides reinsurance placement, underwriting syndicate management, risk analysis and management, and self-insurance services. In addition, A&A offers a variety of human resource management consulting services, including actuarial and administrative services for pension, compensation and benefit plans, and management consulting.

A&A operates in 88 U.S. cities and a total of 49 countries through subsidiaries, joint venture corporations and correspondent relationships.

Mr. Thomas Fischer is the Voting Representative with JASG. The Atlanta office of Alexander & Alexander is located at Two Piedmont Center, 3565 Piedmont Road, N.E., Atlanta, GA 30363-0201.

American Family Life Assurance Co.

Established in 1955 in Columbus, Georgia, American Family Life has set one of the insurance industry's most outstanding growth records. The company now serves over 21 million people through more than 8,500 agents in the U.S. and more than 9,100 in Japan.

American Family Life is particularly proud of its record of services. Independent surveys shows that 93 percent of its claimants would recommend its policies to others.

The company pioneered supplemental cancer coverage, and has been particularly successful in marketing this service in Japan. Now the majority of large Japanese companies form subsidiary insurance agencies (corporate agencies) to market its product to their own customers and employees. American Family Life now insures more than 10.5 percent of the Japanese population.

Mr. C. William Davis is the American Family Life Voting Representative with The JASG. Company headquarters are located at 1932 Wynnton Road, Columbus, GA 31999.

Japan's Hot Springs Boom

Provide Health, Relaxation & Entertainment

The Japanese people love a bath. Every Japanese—just about everyone—bathes daily, or at least every other day.

Recently, this custom of bathing has taken a Western turn. Despite this, most Japanese don't feel they've lived a full day unless they've soaked in a hot Japanese-style tub with the hot water spilling over the sides.

A survey of "The Things the Japanese Love," published in 1984 by the NHK (Japan Broadcasting Corporation) Public Opinion Survey Institute, found that the people polled, when asked their method of staying healthy, gave top ranking to "Getting lots of sleep," and "Taking a bath."

People don't take medical baths such as *shobu-yu* (bath with iris leaves) and *yuzu-yu* (lime baths) as they did in olden days, but these forms of bathing are still very popular at the public bath houses. In other words, bathing is associated in the Japanese mind with health and the removal of stress. Recently, an increasing number of salaried workers find the sauna a cure for tiredness.

But when a Japanese talks about bathing, in the overwhelming number of cases he is referring to healing hot springs. Recently, not only older people but office girls and even students have become frequent visitors to hot springs spas. Television programs and magazines also carry features on hideaway watering spots.

For people so busy that they can't get away from work to go to a hot springs spa, there is even a service to deliver an *onsen* (hot spring) to their home. Courier services deliver hot springs water to the home so they can enjoy the *onsen* feeling. Of course, this service is by no means new. In the Heian Era (794-1192), some noble families had hot springs water delivered to their home from a nearby spa and reheated it. This was the first recycled hot spring.

But the boom in recycled *onsen* occurred around the beginning of the Meiji Era (1868-1912). A bath house proprietor in the new Japanese capital of Tokyo re-introduced the idea of the recycled *onsen* and started a fad which spread rapidly throughout Tokyo. In 1955, after World War II, it was introduced again with the added element of folk dancing and shows. This also was in Tokyo. The recycled *onsen* enabled everyone to stay at home and yet enjoy the *onsen* feeling, thus combining health and entertainment for the people.

Today, there are 20,103 hot springs sources in Japan, and more than 15,000 inns or inn-like facilities where people can enjoy their healing waters. In many cases there are traditions and religious stories relating to them. For people of ancient times, hot water boiling out of the earth was a phenomenon they could not understand. We hear even today stories of the priest who hit the ground with his stick, and a hot spring spouted out of the ground. Or the hunter who found wild animals healing their wounds in a hot spring pool. Such tales of how hot springs were discovered have circulated from long ago. But it was much, much later that the practice of soaking themselves in the healing waters spread to the common people.

But the quiet boom that the *onsen* enjoys today is different in nature from this. Few people visit the spas for medicinal purposes as in the old days. Almost all of them come to escape the strains of their daily life, to commune with nature, enjoy the local food and engage in sightseeing and leisure activities.

Japan is a nation of 100 million middle-class people. But their daily life is a busy round of work and mounting stress. The *onsen* boom they are caught up in today is an expression of their desire to escape this life and return to nature.

One common feature of Japan's public baths is their murals. Nearly all the wall pictures are of Mt. Fuji and other natural scenery, a theme to which they have returned after at one time decorating their walls with animation characters and pandas.

An increasing number of Japanese homes have their own baths, and public bath houses are dwindling in number. But compared to public baths, home baths are confining. The bather cannot stretch out and enjoy the carefree feeling of the spacious public bath. The *onsen* boom may be a reaction to that.

A scholar who has been studying the history of bathing says, "At every turning point for a new generation, one finds a surge in the popularity of bathing and hot springs." Is the popularity of the spas the forerunner of this trend?

A last comment on bathing customs. Mixed bathing was a common practice at the hot springs resort in Japan up through the Edo Era (1603-1867). But today, mixed bathing is restricted to only certain hinterland areas of Japan.

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*This article is reprinted with permission from **The Yoke**, Vol. 4, No. 15 (January 1986). **The Yoke** is the publication of the Yokohama Association for International Communications and Exchanges.*

TRAVEL . . . Favorite Places

Georgia

Takako Nonoyama

The following article is abridged from a talk given by Mrs. Nonoyama at the 1986 Annual Luncheon of the Tomodachi Club of Georgia on January 16, 1986.

As I was asked to speak about my impressions of Georgia, I would like to convey some of them to you with a few remarks.

My first impression is of the natural beauty of this area. This impression came to me during the first few days after my arrival here last year, at the beginning of springtime. The whites, pinks, reds, and lavenders of the dogwoods and azaleas were all blossoming. These colors came out of a background of increasing green, as the leaves of the annuals joined with the evergreens. And all of this was burgeoning out of a deep red clay. All in all, Atlanta struck me as a kind of beautiful garden.

My second impression, which came to me as quickly as the first, was of the warm hand of friendship which was extended to me. Everyone I met greeted me with a heartfelt and sincere welcome to this city and state. Particularly for a foreigner coming to a strange land, this kind of warm welcome is most impressive and appreciated. In these welcomes, I sensed that Atlantans and Georgians love and are proud of their city and state, and this too impressed me.

My third impression is of the dynamic development which this area is undergoing. Whenever I travel about Atlanta, I see construction going on, it seems, everywhere. I gain a real feeling of how Atlanta, and with it all of Georgia, is growing so rapidly—with the energy and vigor of youth. I have little doubt that in a decade Atlanta will be one of the largest cities in the United States.

And yet with all of this rapid growth in building and population, I can see that Atlantans are working hard to preserve their city's wonderful harmony with nature. This makes me feel optimistic about what the future holds, and makes me wish to return here after 10 years to see how the future has unfolded.

My fourth impression is of what could well be this area's greatest asset—that is, the quality of its people. During the past 10 months, I have come to realize how comfortable Atlanta is as a place to live. Nature's beauty; shopping, transportation, and other conveniences; and a mild climate are all definite Atlanta attractions. But what has impressed me the most about Atlanta—and about all of Georgia—are the people. Altogether I have lived in America for more than four years, at different times and in different areas of the country. Perhaps more than anywhere else, the people I have met here embody the traditional American virtues of broadmindedness, generosity, kindness, and piety. Virtues such as these have been a cornerstone in the foundation of Georgia's growth, and they shall continue to be so in the future.

These then are my foremost impressions of Georgia and some of the reasons why I am very happy to have the opportunity to live in such a city as Atlanta and in such a state as Georgia.

Relations between Japan and Georgia have been growing very rapidly. Although the basis of our relations is mainly business, the scope of our ties is now broadening to include activities in social, educational, cultural, civic, and other spheres. Increasing numbers of Japanese will have the opportunity to come to know something of this great state and her people; and increasing numbers of Georgians, I hope, will become acquainted with Japan. These broadened spheres of activity and increased person-to-person interchange present the best course for the molding of solid and longlasting bonds of friendship between Japan and Georgia, and between Japan and the United States as a whole.

Mrs. Takako Nonoyama is the wife of Consul General Tadayuki Nonoyama.

Cross-Pacific Contact — *"Sayoonara!" - Part II*

さようなら

By Donald L. Smith

We have observed that in Japanese, leave-taking is a process which requires a number of expressions which one uses while gradually breaking away. It is most important not to appear to be abrupt when parting in either linguistic context, but in Japanese, unlike in English, the process is extended through a sequence of apologies and hesitation forms. This applies at home, at the office, and even on the telephone.

Those of us spoiled by southern hospitality might object to the suggestion that farewells are any more elaborate in Japanese than in English. With close friends and relatives, indeed, it is customary to escort them down the drive to the car and see them off. The walk to the car might be sprinkled with expressions such as:

★ I guess we had better be on our way.

● It was so nice to have you here.

★ Well, thanks for having us. Everything was delicious.

● Well, thank you. I'm glad you liked it. We'll have to get together again some time. Next time I'll fix a nice pot roast.

★ That sounds wonderful. You'll have to come down to see us sometime soon.

● Well, maybe next spring. We'll see.

★ Goodbye!

● Goodbye. Drive carefully.

Much of the above exchange might be summarized in the well-known expression, "Ya'll come again," which translates very easily into Japanese as, *Mata, irasshai.* However, except with immediate family members, added apologies change the flavor of the parallel Japanese exchange.

★ *Ja, soro soro, shitsurei shimashoo.*
Well, we'll have to excuse ourselves.

● *Doozo, yukkuri shite kudasai.*
Don't hurry.

★ *Arigatoo gozaimasu. Demo . . osokunarimashita no de . . . .*
Thanks, but . . its late and . . .

● *Dewa, nanimo gozaimasen ga, mata irasshite kudasai.*
Well then, we have nothing to offer, but please come again.

★ *Doomo. gochisoosama deshita.*
It has been a feast.

● *Iie, osomatsusama deshita.*
No, it was nothing.

★ *Doomo, ojama shimashita.*
Sorry for having disturbed you.

● *Iie, itsu demo, doozo.*
No, any time, please.

★ *Ja, shitsureshimasu.*
Well. I'll excuse myself.

● *Ki o tsukete kudasai.*
Be careful.

★ *Arigatoooooooo . . . .*
Thankyouuuuuuuu . . . (Guest fades in the distance . .)

Perhaps the way to summarize the differences in leave-taking after a feast are in the attitudes to be assumed in polite situations. In English, guests are full of thanks and praise, and hosts are proud and grateful for the thanks. In Japanese, guests are full of thanks and apologies for having imposed, and hosts show pleasure by rejecting apologies and lightening the burden by refusing to acknowledge that they had anything worthwhile to offer in the first place.

Though I have nothing worthwhile to add, I will humbly submit a few more comments at a later time. Thank you for your patience.

Dr. Donald L. Smith is Coordinator of the Japanese Studies Program at Brenau College. The Japanese text was provided by Dr. Smith.

Area Courses on Japan

The following courses on Japan will be given in Atlanta area colleges in the spring. Only courses in which 50% or more of the course content deals directly with Japan and which offer college credit are listed. See The JASG Directory for other classes.

Brenau Professional College

Elementary Japanese III (Japanese 103) (5 hr. credit) Mon. & Thurs., 6:30-8:40 p.m. Starts March 24.

Elements of Spoken Japanese I (Japanese 100) (2 hrs. credit) Tues. 6:00-8:00 p.m. Starts March 25.

Elements of Spoken Japanese II (Japanese 100a) (2 hrs. credit) Wed. 6:00-8:00 p.m. Starts March 26.

Elements of Spoken Japanese IV (Japanese 100c) (2 hrs. credit) Mon. 6:00-8:00 p.m. Starts March 24.

Directed Readings (Japanese 401, 402) (2-5 hrs. credit) Advanced courses by arrangement.

For more information call 446-2900.

Dalton Junior College

Introduction to Modern Japan (History 476/676) Tues. and Thurs. 5:30-7:35 p.m.

For further information, contact Mr. Andy Davis, West Georgia College Divison of Continuing Education, 1-834-1360.

Georgia State University

Intermediate Japanese (Japanese 201) (5 hrs. credit) Mon., Wed. and Fri., 5:30-7:00 p.m. Starts Fri. March 28.

China and Japan since 1600 (Hist 382) (5 hrs. credit) Daily, 8:55-9:50 a.m. Starts Thurs. March 27.

Call 638-2265 for more information.

The Japan-America Society of Georgia

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Georgian Among Semi-Finalists in U.S.-Japan Essay Contest

Ms. Nancy W. Steinen, a student at West Georgia College in Carrollton, has been selected as a semi-finalist in the Fifth U.S.-Japan Essay Contest of the U.S.-Japan Culture Center in Washigton, D.C. She was honored for her essay "The Role of Japanese Women in World War II." Ms. Steinen studied modern Japanese history at WGC with Prof. Jonathan Goldstein.

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FEBRUARY NEWSLETTER

CONCEPT

AN ALL-DAY SEMINAR

JAPAN-UNITED STATES COMPETITION IN THE WORLD ECONOMY - THE ROLE OF INCREASING PRODUCTIVITY

A seminar to be held in Atlanta, Georgia, on ___, 1986.

To be sponsored by The Japan-America Society of Georgia, ___, ___.

This seminar will concentrate on the problems of productivity increases in the U.S. In the morning, a group of distinguished speakers from Japan and the U.S. will focus on these elements of productivity:

- Human Resources
- Individual Savings and Investment in Capital Goods
- Scientific Research and the Transfer of Knowledge from Laboratory to Factory Floor

In the afternoon, distinguished business leaders will conduct workshops on the same elements of productivity analyzed by the speakers. Local governmental, business and academic leaders will encourage the audience to make recommendations on what must be done in America to improve its productivity and make its products and services more competitive in world markets.

REASONS FOR THE SEMINAR

United States trade deficits developed in 1971 and with the exception of 1973 and 1975, have increased every year since. Between 1983 and 1984 those trade deficits increased from $62 to $108 billion dollars. Something is clearly wrong with America's competitiveness!

By contrast, Japan trade surpluses have increased steadily during this same time period and between 1983 and 1984 these surpluses increased from $31 to $44 billion. On the whole, the world seems to prefer Japanese to American products.

At a conference on November 23 at the Atlanta Historical Society sponsored by the Center for a New Democracy, the World Congress Institute and the World Trade Center of Atlanta, America's lack of competitiveness was examined by a panel of scholars, political leaders, business executives and labor leaders. The factors contributing to this lack of U.S. trade competitiveness were the strong dollar (clearly identified with increasing Federal deficits), some unfairness on the part of U.S. trading partners and most importantly, lagging industrial productivity increases in the U.S. compared with Japan and our principal European trading partners.

WHO SHOULD ATTEND

- Business executives at all levels
- Governmental leaders involved in industry, trade, taxation, education and the general welfare
- Educators in the fields of business, engineering, sociology and scientific research

---

BACKGROUND

Productivity improvement deals with how a society organizes itself to improve its efficiency in production and in the allocation of goods and services. Essentially, efficiency means economizing, least cost, greatest return, maximization, optimization and similar judgments about the employment of resources to produce the greatest benefit at least cost.

There is an infinite mix of resources available to the decision makers responsible for productivity. Their judgments and how well they exercise their authority is crucial to the future standard of living of society. The quality of the resources available to the decision maker is a function of society-at-large. An analysis of resource inputs available to Japanese and American decision makers as presented in the referenced conference at the Atlanta Historical Society and are the topic headings for discussion at this seminar:

Human Resources

Management - Comparison of American and Japanese management systems has been over-analyzed and no new insights are expected to emerge at this seminar. However, the strengths and weaknesses of each system must be considered in the workshop sessions on "What Must Be Done".

White Collar Workers -

> *The only competitive advantage the U.S. can have lies in making productive its one abundant resource: people with years of schooling suitable for only white-collar work.*
>
> -Peter Drucker

Lester Thurow in his most recent book *The Zero Sum Solution* states, "America's productivity problems lies not so much among lazy factory workers and featherbedding unions as among its non-union white collar workers" and "Japanese companies find that they can operate in the United States under our rules and regulations with far fewer white collar workers than their America counterparts". (See attached *Wall Street Journal* editorial by Peter Drucker, "How to Measure White Collar Productivity".)

Blue Collar Workers - The eductional background of the U.S. blue collar worker is not equal to his counterpart in either Germany or Japan. The average Japanese blue collar worker enters the work force at age 18 after having spent 12 years in school, 23,000 hours heavily weighted with courses in mathematics and science. An American worker, entering the work force after 12 years of school, would have attended classes for approximately 12,000 hours with little instruction in mathematics or science.

Individual Savings and Investment in Capital Goods

Japanese frugality is now, in 1985, considered a cultural barrier to American penetration of the Japanese market. Contrariwise, American spendthrift purchases for new cars during the third quarter of 1985 is applauded as the engine of a prosperous U.S. economy.

The consequences of America's failure to save are outlined in the December 1 *Atlanta Journal and*

Constitution economic editorial by Robert P. Forrestal, "Spendthrift Americans Jeopardize Future of U.S." (attached).

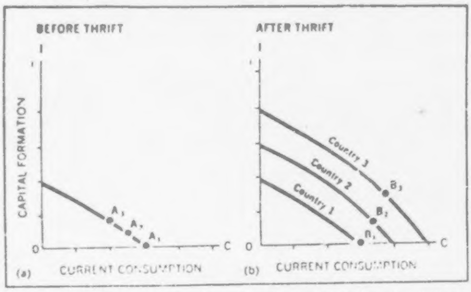
Scientific Research and the Transfer of Knowledge from Laboratory to Factory Floor

In 1945 Japan's comparative advantage in world markets was in low-quality goods produced at low labor costs. The purged wartime industrial leaders made plans in that period to move away from such an economy. Accordingly, and with advice from these former leaders, Japan began to train scientists and engineers to world levels of competence. These newly-trained Japanese scientists and engineers discovered early on that it was easier and more economical to buy technology and then to move rapidly into that technology.

Americans have forgotten (or never understood) that more consumption today is paid for by losses in tomorrow's possibilities. This is such a basic economic process that the graphs below from Paul Samuelson's Economics are presented for background purposes and are meant to be self-explanatory.

Fig. 1

Choice between more consumption today and capital goods for enhancing tomorrow's possibilities:

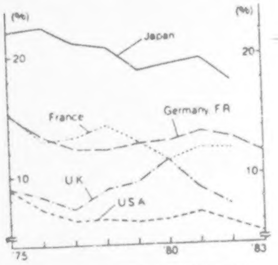


(a). Three countries start out even, but Country 1 does no saving for the future at A_1 (merely replacing used up machines). Country 2 abstains modestly from consumption at A_2. Country 3, by private sacrifice or democratic vote, is at A_3, investing much in new machines and sacrificing much of current consumption.

(b). In the next years, Country 3 has forged ahead of Country 2, which has moved ahead of nonprogressing Country 1. Possessing more machines for labor to work with, Country 3 now can have more of *both* goods than can Country 2. Country 1 remains where it started.

Fig. 2

Trends in Household Saving Rates (1975—1983)[a]



a) Household saving rate = household saving ÷ household disposable income
Source: Bank of Japan, *Comparative International Statistics*, 1984

The following example from the previously-cited book by Thurow illustrates the point. "In 1967 Joe Engleberger, founder of Unimation, went to Japan to lecture on robotics. When he lectured in the United States he attracted, at most, a few dozen listeners, but in Japan up to 600. In 1968 he signed a licensing agreement with Kawasaki, and by 1969 Kawasaki was producing Japan's first robots."

History is recorded in Table 1.

Table 1

Operating Robot Installations in Selected Countries (1982)

	Servo-Controlled Point-to-Point	Servo-Controlled Continuous Path	Non Servo-Controlled Point-to-Point	Total
Japan	**—18,650—**		**13,250**	**31,900**
France	774	219	9,000[a]	9,993[a]
U.S.A.	3,682	1,071	1,548	6,301
Germany, F.R.	2,450	1,050	800	4,300
Sweden	435	175	840	1,450
Italy	500	200	400	1,100
U.K.	283	430	264	977
Belgium	170	110	25	305
Poland	105	165	15	285
Canada	79	86	108	273
Czechoslovakia	76	18	60	154
Finland	29	39	30	98

a) Includes variable sequence manipulators
Source: Robot Institute of America

WHAT MUST BE DONE IN AMERICA

Five separate workshops will be established in the afternoon to examine what is economically desirable and what is politically "doable" in improving America's competitiveness in world markets (the assumption is made that the United States is an integral part of the world market). The five workshops will be grouped in two broad categories: "What America Must Do By Itself", and "What America Must Do In Collaboration With Other Industrialized Countries".

"What America Must Do By Itself"

- Productivity Improvement of Its Human Resources
- Increases and Modernization of America's Capital Base from the Savings of Its Own People
- Increasing Productivity by Exploiting Rapid Changes in Technology

"What America Must Do In Collaboration With Others"

- Strengthening GATT and other Mutinational Trading Agreements to Recognize Changes in America's Industrial Structure
- Demanding Compliance by Trading Partners in All Trade Agreements

The morning session, concentrating on an analysis of America's competitive position in world markets, relies heavily on a comparison of American and Japanese performance. Leaders of the afternoon workshops will be asked to avoid comparisons and concentrate on imaginative solutions to America's problems.

Mr. SMITH. Are you anticipating annual amounts?

Mr. SANDERS. Our administrative grant will cease at the end of the year. We did get a $20,000 grant for this Japan-Georgia school program, which I have just described to you, and we do have that, and we have set up a statewide network. And we have got that in our public schools now, and we are developing that network that I have talked to you about.

Mr. SMITH. Are you anticipating there would be annual appropriations or not?

Mr. SANDERS. We would like to hope and think that the Friendship Commission; programs of that kind that we have started, would be able to help us.

We are not really anticipating that they are going to continue to provide us with administrative support. We have expanded our own. With their help we have been able to expand our operations to the point where I think administratively we can sort of wean away from that.

But I agree with the previous speaker. I am sure there are a lot of other communities in this country that are trying to do what some of us have done, and we think that it is a very important program.

We think the U.S. Japan Friendship Commission deserves the funding that they are asking Congress for, and I hope that this committee will look upon that with some favor.

Mr. SMITH. That is very impressive testimony, especially considering the Japanese investments in Georgia.

I can't help but notice though, that it seems to me that Japan was singled out in that textile bill. A lot of the support for the textile bill was centered in that part of the country.

Did your society take any position on that?

Mr. SANDERS. No, we did not. We are not trying to get involved in that. But I understand the application of the textile bill, and we do live in an area where there are still some textile operations there that I think feel very strongly about their survival.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. No questions.

Mr. SMITH. Thank you.

Mr. SANDERS. Thank you very much.

MONDAY, MARCH 3, 1986.

SEA GRANT

WITNESSES

B.J. COPELAND, CHAIRMAN, FEDERAL RELATIONS COMMITTEE, ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

JOHN KERMOND, ASSISTANT DIRECTOR, GOVERNMENTAL RELATIONS-MARINE DIVISION, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

Mr. SMITH. Mr. Copeland, of the National Association of State Universities and Land-Grant Colleges, please come forward.

Mr. COPELAND. I am accompanied this morning by Dr. John Kermond. Dr. Kermond is the Assistant Director of the Marine Division for the National Association of State Universities and Land-Grant Colleges. I am the chairman of the Federal Relations Committee in that same organization, and also the Director of Sea-Grant Programs from the University of North Carolina. I come wearing more than one hat. I hope to keep them sorted out.

We are here this morning, and we appreciate the opportunity to do so, to testify on three matters that we think are important that come under the auspices of this committee. One of them is the NOAA fiscal year 1987 budget; secondly, the sea-grant program which is a part of the NOAA program; and third, the matter of rescissions that have been proposed for the fiscal year 1986 sea-grant budget.

First of all, we have analyzed the NOAA fiscal year 1987 budget document, and we appended that as an appendix to our written testimony.

Mr. SMITH. We will insert all of this into the record.

Mr. COPELAND. I commend that to your attention. Just in summary there, we find that the budget request for fiscal year 1987 is approximately 30 percent below the program level for fiscal year 1986. I want to quickly point out that fiscal year 1986 is $100 million below fiscal year 1985, so we are on the wrong side of a declining curve.

This becomes important when you see the other proposals, the ocean programs for the National Science Foundation is up 8 percent, ocean program at NASA is more than doubled over fiscal year 1986, and at the same time the Committee on Science and Engineering Public Policy recommended that the NOAA program is one of the important parts of that triumvirate for the nation's ocean efforts. So it is kind of puzzling as to why you want to reduce the one that is critical and enhance those that are ongoing.

Secondly, we testified here last year that the sea-grant program assessments indicated that we ought to be a little more strongly integrated with the efforts of NOAA, so we could utilize the capabilities of both parts of that agency, and use the capacity of the universities to help answer some of the ocean problems that this country faces.

I am happy to report today that we have recently undertaken some of those activities, and have been working with NOAA staff on identifying some areas where we can set some priorities, national priorities, to begin to develop some university capacity that answers NOAA's actions in that area. That is going to be difficult, however, if the budget request for NOAA continues to decline. We can't make this kind of thing work.

The rescission that has been proposed, the $30 million rescission from the fiscal year 1986 appropriation, if that stands, would bring the sea-grant program to an end before the end of this year. We think that would be a bad mistake on the part of this country to do that, even if they are not approved, but still run through the course of events, we are still suffering some costly delays that interrupt research activities plow into the confidence that people, our best scientists, have gotten in the program and so forth. We think these are not good things to have around, so we would recommend that that rescission be dealt with as soon as possible, and not be approved.

The fiscal year 1987 appropriation for sea-grant was zero in the NOAA fiscal year 1987 budget request. We are requesting, Mr. chairman, that the sea-grant program be authorized or appropriated in fiscal year 1987 at the level that it was authorized.

Thank you very much. I will be glad to answer any questions.

[The statement of Mr. Copeland follows:]

STATEMENT BY

DR. B.J. COPELAND

NORTH CAROLINA STATE UNIVERSITY

BEFORE THE

COMMERCE, JUSTICE AND STATE,
THE JUDICIARY AND RELATED AGENCIES SUBCOMMITTEE

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

ON BEHALF OF THE

NATIONAL ASSOCIATION OF STATE UNIVERSITIES

AND LAND-GRANT COLLEGES

AND THE

SEA GRANT ASSOCIATION

MARCH 3, 1986

Thank you and good morning. I am B. J. Copeland, Chairman of the NASULGC Marine Division Federal Relations Committee and Director of the North Carolina Sea Grant Program.

I appreciate the opportunity to testify on the National Oceanic and Atmospheric Administration (NOAA) budget request before this Subcommittee on behalf of the Marine Division of the National Association of State Universities and Land-Grant Colleges (NASULGC) and the Sea Grant Association. The nation's civilian marine agenda for the rest of this decade will be heavily impacted by the decisions on this budget, and we look forward to your leadership in addressing such important issues.

The Marine Division of NASULGC is composed of 90 major marine research and education institutions in the United States which are committed to the understanding, conservation, and development of the ocean and coastal environments. The Sea Grant Association consists of 40 colleges, universities, research centers, industries and consortia, all dedicated to enhancing the nation's capability to develop, use and manage our marine resources. NASULGC is composed of 149 colleges and universities with a total enrollment of approximately 3 million students.

I wish to address the following items this morning:

1. The NOAA FY '87 Budget
2. The National Sea Grant College Program within NOAA
3. The proposed FY '86 Sea Grant Rescission
4. The FY '87 Sea Grant appropriation

I will close with a set of recommendations that the ocean and marine resource mission of NOAA be reaffirmed; that NOAA's partnership relations with non-federal institutions and groups be reemphasized; that the Sea Grant program be funded at the FY '86 authorization level of $42 million, plus new initiatives such as marine biotechnology that address emerging national needs and opportunities.

Mr. Chairman, we are here for the 6th consecutive year to address the fundamental question of federal support of the National Sea Grant College Program. We are not here with mystery, mirrors and magic. We are here today to reflect upon the support that Congress has provided over the years for an effective and efficient program (even the Administration has conceded this success).

We recognize the current fiscal climate that we are all part of. But, as we hastily prepared for this testimony, we referred back to the Heritage Foundation report of 1981 ("Mandate for Leadership") that recommended an increase for the Sea Grant Program of 10% per year in real terms. We also revisited the economic survey data of that year that documented $230 million in annual gross revenue or savings and cost avoidance resulted from, or stimulated by just a small portion of ongoing Sea Grant projects. Last October, a twenty year review of Sea Grant was conducted, as reported in the publication "Sea Grant: Past, Present and Future", that underscored the national viability of this program. We would like to draw the attention of the committee to pages 82-83 of this report, which focuses on the future priorities in support of the nation's coastal and marine economy. All of this argues for your continued support of this valuable program. (Refer Appendix A).

Interestingly, prior to 1976 the Congress usually appropriated the Administration's request for Sea Grant. For the past 10 years, the Congress has added to the request. This decade of commitment, support and investment on the part of the Congress is testimony in and of itself and we commend you for it.

We have been trying to analyze the FY '87 requested budget for the National Oceanic and Atmospheric Administration (NOAA). While this analysis is primarily concerned with the scientific aspects of the NOAA request, the sweeping nature of proposed changes in the agency and the confusing nature of the budget presentations made available to the Congress and the public necessitates a broader-ranging analysis than would normally be the case. (Refer Appendix B).

This analysis is based on the document made available to the press and public, "FY 1987 Budget Summary, U.S. Department of Commerce, National Oceanic and Atmospheric Administration," the only reasonably thorough source available to us at this time. Figures in this document are sometimes different from those reported in the newspapers, trade press, and the Commerce Department's own briefing papers.

The FY 87 request represents nearly a 30% proposed cut in the existing FY 86 activities of NOAA. As against this, there are proposed increases of about 5%, leaving the agency with a net 25% reduction in its duties. The ocean and fishery components of the agency would be drastically reduced under this budget, the agency's research role would be substantially cut back, and NOAA's relations with the marine science and marine user communities would be all but terminated. It is apparent that the proposed cutback from the FY 86 operating level is severe. THis change is on top of a $100 million reduction from FY 85 to the FY 86 appropriation. Every major area faces cuts, but in several areas the cuts are very deep indeed. The overall level of agency activity is cut by a quarter.

We're not arguing for or against a current service level budget, but, instead, are pointing out that substantive changes are planned for NOAA as described in their budget document. A one-quarter cut in any operation is drastic and the policy implications should be seriously questioned. It is clear that the proposed budget, if approved, will significantly alter NOAA's role as a marine resource management agency.

The proposed FY 87 NOAA budget reduction is even more puzzling when we compare the cuts proposed there with the approximately 8% increase in NSF's ocean budget request and the more than doubling of the NASA oceanography budget request. The analysis provided in the report to the President by the Committee on Science, Engineering and Public Policy indicated that the NOAA operational part of the nation's ocean effort is most critical. We believe that NOAA should be a full partner in that important thrust.

Specifically, within the NOAA budget, we want to draw particular attention to the National Sea Grant College Program. In recent times the National Sea Grant College Program has been challenged. In each case the challenge has been answered, and the Congress has been in full support of the answers. For instance:

1. State-regional & local benefit:

We have shown time after time that the national benefits accrue through the university network and its ability to rapidly disseminate information and to bring about technology transfer. For example, living marine resources do not recognize state line - people in Iowa consume products produced in Alaska via technology developed in Florida by a student who received his training in North Carolina.

2. Block grant:

We have been accused of being a block grant program. In contrast, our projects are peer reviewed in the usual scientific manner. We have recently surveyed the network and our preliminary data show that only one in four proposals is finally accepted (compared with one in five at the National Science Foundation).

3. Federal Partnership:

One view holds that the federal partnership is finished and no longer needed. Quite the contrary is true, Mr. Chairman. Congress has called for an effective partnership and nurtured the concept, and Sea Grant has demonstrated that this wisdom is in the national interest. The Congressional mandate is for an on-going partnership among the federal government, the states via their universities, and the relevant industries - which was designed to share costs and to develop better returns (this is unique in NOAA, the Department of Commerce, or anywhere else). In fact, the Sea Grant partnership with industry shows an 8% industry commitment to research and development compared to the overall commitment of 7% according to the NSF figures covering the 1964-1985 time span. According to recent assessments, this nation is investing less than 1% of its research and development in direct support of non-defense, civilian industry.

Beyond the research parameters, Sea Grant provides for the training of scientists and managers. It has a unique mechanism to transfer fundamental research results, providing for an impressive record of getting new information to users in a timely manner. The states have made a strong commitment to the program. But, above all the enabling legislation is still in place and still provides for important needs identification with time.

4. Evaluations:

Sea Grant has been a program that has been found to be successful in every aspect - excellence of science, application to national needs, and return on investment. We continue to welcome these evaluations and verify your confidence in supporting the program.

Since 1981, a variety of administrative changes have been made. We have responded to these changes by continuing an efficient and effective program - the total number of projects have been reduced, but we have maintained the capacity of over 200 universities to participate in nationally identified priorities, problems and initiatives. Within the Department of Commerce, the third layer of federal grant review (the FARB) in its over 5 years of scrutinizing Sea Grant projects has found no evidence of waste, fraud and abuse. In fact, out of approximately 3500 projects in those five years there has been only one instance of a non-related budget adjustment.

The Sea Grant program has conformed and complied with all the reporting requirements from OMB, the Congress, and the Department of Commerce. We are, have been and will continue to be fiscally responsible, and we will continue to represent a sound, solid federal investment.

5. Sea Grant in NOAA:

Last year you heard us testify that assessments have concluded that the relationship between Sea Grant and its parent agency can and should be clarified in a manner that would enable each to draw on the strengths and resources of the other. We are pleased to report that we have recently been working closely with NOAA staff to better focus NOAA's research needs and to evaluate the use of university capacity to conduct research in high priority areas. We are working toward a new realization of the university capabilities and their availability to NOAA - similar to the Department of Defense Universities Forum, the NSF centers of excellence in the nation's universities, and agencies like NASA who have long recognized the talent and ability resident in America's universities. Further, we note the 120-year investment the U.S. has made in agricultural research and development through its state and land grant universities - again clear evidence of the pivotal partnership of the federal government, universities and industry. All of this effectiveness, Mr. Chairman, will be lost if we do not have the proper funding and support to let it happen.

Let me turn now to the matter of a proposed rescission of FY 1986 Sea Grant funds (Refer Appendix C). A request for rescission of approximately $30 million from the FY 86 appropriation has been forwarded to the Congress. If this rescission was approved, its effect would be to terminate the Sea Grant program by the end of this year. If rejected, the rescission request still interrupts normal university activities by eroding confidence in the program and interjecting gaps in research programs. This is costly.

Mr. Chairman, we have concluded that it is critical to the well-being of this nation's marine sector that Sea Grant and NOAA be continued, developed and enhanced. Therefore, we recommend:

1. That this subcommittee use the congressionally approved Operations, Research and Facilities FY 86 NOAA program level of $1,180,399,00 as the starting point for FY 87 analysis, rather than relying upon the confusing and assumption-laden proposed FY 87 budget. This figure can be adjusted as needed for anticipated across-the-board reductions under the Budget Deficit Reduction Act, and for any other anticipated savings. Congress may eventually decide on a different figure, but the base figure for a starting point should be the actual appropriated base, not a confused mass of increases, decreases, offsets, rescissions, de-obligations, user fees and the like.

2. That many of the policy items inherently requested by such a sweeping request for reductions in NOAA should be approved, if at all, only after careful oversight hearings and, in many cases, legislation.

3. That high priority ocean and marine resources research items be restored for FY 87.

4. That the appropriation for FY 87 Sea Grant program be near the authorization level to support priority research and technology transfer programs.

5. That a marine biotechnology initiative be supported at a level of $5 million, which offers substantial potential for enhancement to the nation's marine industries.

6. That the requested rescission of FY 86 funds for the National Sea Grant College Program be disapproved. In order to reduce adverse perturbations, this action should be done as soon as possible.

We thank you for this opportunity to testify. If we can be of further assistance to the Committee, please do not hesitate to call upon us.

NATIONAL SEA GRANT COLLEGE PROGRAM
FY 87 BUDGET JUSTIFICATION

The national Sea Grant network requests a $42 million appropriation for the core program in FY 87, plus a $5 million new initiative in marine biotechnology for economic development. This request is based on the continuing high productivity of the Sea Grant colleges and universities--and on priority needs and opportunities in the marine sector.

National Sea Grant College Program

Sea Grant has a long term record of innovative contributions to the well-being of the nation's marine sector and continues to be a high-yield investment. It is a pioneer in the concept of industry/university partnership that is increasingly recognized as a prerequisite for national economic growth and development.

Sea Grant is the principal national source of research and technology transfer for marine aquaculture and marine biotechnology. It is a major source of research and expertise in the areas of fisheries recruitment; underutilized species; seafood product improvement, quality and safety; estuarine processes; critical habitat; coastal processes; ocean technology; marine policy; and the fate and effects of toxic pollutants--particularly in the Great Lakes.

Sea Grant is NOAA's--and in fact the Department of Commerce's--primary entry point to the nation's universities, the major base of scientific talent in this country. The program's universities provide vital links between NOAA/DOC and other marine-oriented agencies and industry.

Sea Grant's Marine Advisory Services provide significant links among users of the nation's marine resources and various publics concerned with marine issues, and they are an essential component of any marine technology transfer program or ocean services activity. Of major importance at present, they link NOAA with other public agencies concerned with coastal and marine hazards--including hurricanes, storm surges, and marine storms--and the populations affected by those hazards. They serve as a credible source of information in areas of marine resource conflicts, and they perform a public service in the reorientation and/or retraining of adversely affected fishery groups.

Finally, Sea Grant is a primary source of scientific and management personnel for the future.

The requested appropriation is $2 million less than the authorized amount for FY 87, and is only slightly more than the program level of FY 81. Funds will be allocated for priority research in fisheries recruitment and stock prediction, seafood quality and product enhancement, estuarine processes and critical habitat, and water quality. Some funds will also be used to strengthen the nationwide interaction of the advisory services network.

(PTO)

Marine Biotechnology

Applications of scientific breakthroughs and of engineering principles to marine biological systems can result in the production of new goods and services. In agriculture and in the chemical and pharmaceutical industries, biotechnology already is producing dramatic results, but advances based upon marine organisms and systems are in their infancy. Areas of particular promise include:

- enhancement of commercial fisheries and aquaculture ventures through genetic improvements
- new methods of detecting fish diseases caused by microbes and development of vaccines for treatment of these diseases
- identifying and producing bacteria which can break down waste products in the marine environment
- better understanding of the biological and biochemical processes of marine biofouling and development of appropriate countermeasures
- the isolation, identification and physiology of human pathogens with marine origins

By reprogramming and redirecting efforts, the Sea Grant programs have developed the primary national capacity in marine biotechnology, even though these efforts have been limited when compared to need and opportunity. Without additional funding and stability, however, there is no practical way to increase this effort.

We therefore request $5 million for biotechnological studies that offer substantial potential for enchancement of the nation's marine sector. As indicated by House hearings in July of 1985, the range of opportunities is vast and our nation's competitive advantage in biotechnology can be enhanced by seizing this opportunity.

Conclusions

In the current environment, we recognize that this request is optimistic, and even bold. It is however based upon the assumption that the needs and opportunities of the nation's ocean sector continue to be significant and that the Sea Grant Program constitutes a proven national capability for addressing them.

February 18, 1986

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SEA GRANT TASK FORCE

ANALYSIS OF NOAA FY 87 BUDGET FOR OPERATIONS, RESEARCH AND FACILITIES

February 18, 1986

SEA GRANT TASK FORCE
ANALYSIS OF NOAA FY 87 BUDGET FOR OPERATIONS, RESEARCH AND FACILITIES

This paper represents the analysis of the designated representatives of the Sea Grant Association concerning the FY 87 requested budget for the National Oceanic and Atmospheric Administration (NOAA). While this analysis is primarily concerned with the scientific aspects of the NOAA request, the sweeping nature of proposed changes in the agency and the confusing nature of the budget presentations made available to the Congress and the public necessitates a broader-ranging analysis than would normally be the case.

This analysis is based on the blue-covered document made available to press and public, "FY 1987 Budget Summary, U.S. Department of Commerce, National Oceanic and Atmospheric Administration," the only reasonably thorough source available to us at this time. Figures in this document are sometimes different from those reported in the newspapers, trade press, and the Commerce Department's own briefing papers.

SUMMARY OF ANALYSIS

The FY 87 request represents nearly a 30% proposed cut in the existing FY 86 activities of NOAA. As against this, there are proposed increases of about 5%, leaving the agency with a net 25% reduction in its duties. The ocean and fishery components of the agency would be drastically reduced under this budget, the agency's research role would be substantially cut back, and NOAA's relations with the marine science and marine user communities would be all but terminated.

SUMMARY OF RECOMMENDATIONS

We recommend:

1. That the Congressional Budget, Appropriations, and Authorizing committees use the congressionally approved Operations, Research and Facilities FY 86 program level of $1,180,399,000 as the starting point for FY 87 analysis, rather than relying upon the confusing and assumption-laden proposed FY 87 budget. This figure can be adjusted as needed for anticipated across-the-board reductions under the Budget Deficit Reduction Act, and for any other anticipated savings. Congress may eventually decide on a different figure, but the base figure for a starting point should be the actual appropriated base, not a confused mass of increases, decreases, offsets, rescissions, deobligations, user fees and the like.

2. That many of the policy items inherently requested by such a sweeping request for reductions in NOAA should be approved, if at all, only after careful oversight hearings and, in many cases, legislation.

3. That the requested rescission of FY 86 funds for the National Sea Grant College Program be disapproved; that the Sea Grant FY 87

appropriation for the core program be $42 million; and, that careful consideration be given to a $5 million new initiative for Marine Biotechnology research in support of economic development.

4. That high priority ocean and marine resources research items be restored for FY 87.

WHAT IS THE FY 87 REQUEST AND HOW DOES IT COMPARE TO FY 86?

A number of charts, tables and summaries have been prepared as part of the FY 87 proposal. Many of these are quite confusing and can be tracked only by someone intimately familiar with budget procedures and with NOAA operations. In fact, some of the figures could mislead the unwary. Particularly misleading are those columns labelled "FY 87 Base," as for example in the tables at the bottom of page 6 and on page 7 of the NOAA "FY 87 Budget Summary." All of these columns, as well as the summaries of decreases presented on pages 6 and 29-32 assume that the requested rescissions in the FY 86 budget have been granted. This convenient fiction makes the proposed FY 87 cuts look somewhat less severe than they are in fact. Anyone looking at the budget figures should remember that the "FY 87 Base" figures in all of these charts and tables assume that $66,604,000 in rescissions for Sea Grant ($30,604,000) and Coastal Zone Management ($36 million) have been approved. They have not been approved, and apparently are not likely to be. Until and unless they are, they need to be included in any serious budget presentation.

There are many different ways to look at the budget. However, the best way to see what is being proposed is to look at programmatic functions. Table I displays these functions.

TABLE I
NOAA OPERATIONS, RESEARCH AND FACILITIES (ORF)

	Dollars in Thousands		
	FY 86 Approp.	FY 87 Proposed	% Change
Ocean and Coastal Programs	198,602	92,413	-53%
Marine Fishery Resource Programs	162,109	96,689	-40%
Atmospheric Programs	357,374	334,789	-6 1/2%
Satellite and Environmental Data Information Services	335,666	263,479	-21 1/2%
Program Support	126,648	115,209	-9%
	1,180,399	902,579	-23 1/2%

(Source: FY 1987 Budget Summary, U.S. Department of Commerce, National Oceanic and Atmospheric Administration, pp. 6-17.)

It is apparent that the proposed cutback from the FY 86 operating level is severe. This change is on top of a $100 million reduction from FY 85 to the FY 86 appropriation. Every major area faces cuts, but in several areas the cuts are very deep indeed. The overall level of agency activity is cut by a quarter.

This table gives some of the effects of the proposed budget, but not all. To get the full flavor of the cuts proposed, one has to compare like to like. This means one has to take out the proposed increases for FY 87, and compare how the FY 87 request treats the FY 86 program approved by Congress. Table II does this.

TABLE II
NOAA OPERATIONS, RESEARCH AND FACILITIES (ORF)

	Dollars in Thousands		
	FY 86 Approp.	FY 87 Proposed	% Change
Ocean and Coastal Programs	198,602	92,413	-53%
Marine Fishery Resource Programs	162,109	96,689	-40%
Atmospheric Programs	357,374	334,789	-6 1/2%
Satellite and Environmental Data Information Services	335,666	263,479	-21 1/2%
Program Support	126,648	115,209	-9%
	1,180,399	902,579	-23 1/2%
- 13 proposed increases		-56,875	-28 1/3%
		845,704	

(Source: Same as above, plus Appendix G, p.28)

In other words, the level of activities in operation in FY 86 is proposed to be cut back from $1,180,399,000 to $845,704,000, which is $334,695,000, or nearly 30%.

The extent of the proposed cuts can be shown in a different fashion.

TABLE III
TOTAL REDUCTIONS

	Dollars in thousands
86 total itemized reductions	- $241,957
FY 86 Rescissions not listed with other cuts	- 66,604
Adjustments to base (excess of decreases over increases)	- 26,134
Total cuts	$344,695

(Source: Same as above, pp. 28-32, plus Appendix C, p. 24)

To propose to cut $345 million from an agency of this size, which has already just been cut back by $100 million, is to propose to decimate the agency.

If one accepts the net reductions to base shown in Appendix C as legitimate, NOAA's FY 86 operating level then becomes $1,154,265 ($1,180,399 minus $26,134). Any across-the-board reductions would reduce this level, but the base would still be above $1.1 billion. When one considers that nearly $57 million in increases is being requested, it is clear that the FY 87 base--before program cuts and deficit reduction actions are decided upon--is somewhere between $1.1 and $1.2 billion, and probably back pretty close to the FY 86 appropriation of nearly $1.2 billion.

In the rest of this paper, we will be looking primarily at the effect of the budget proposal on the ocean activities of NOAA. However, the figures for the satellite operations deserve comment. The FY 86 operating level of $335,666,000 is proposed to be dropped to $263,479,000, a cut of over $72 million or 21 1/2% However, the FY 87 figure includes nearly $39 million in program increases for satellite systems. This means the total cut in FY 86 operations is $101 million, or just over 30%. Whatever efficiencies are being made, whatever buying ahead has been done, these figures look suspicious in this service with its continuing hardware needs. Hardware costs have already created a terrific squeeze on the non-hardware activities of NESDIS, and in fact on the rest of NOAA. It seems most likely that they will continue to do so. In addition, it should be noted that once again the second polar orbiter is proposed as a cut, for a total of over $62 million. The likelihood of the acceptance of this cut should be factored in to any decision on the ultimate budget target figure for NOAA. Finally, there is no evidence of planning for an Ocean Color Imager, as we shall discuss in the research section below. All in all, the satellite figure deserves closer attention.

We have not tried to analyze the details of the proposed financing of the NOAA budget. It demands too much firsthand knowledge for an outsider to cope with. However, several items should be looked at. An additional offset of $10.3 million is being requested from Saltonstall/ Kennedy funds. To the uninitiated, the effect of the additional $49.5 million in the Aviation Weather Trust Fund is not clear, but if this addition were not to be made, the effect on the atmospheric services budget and on the total general fund appropriation would be severe. Finally, we can find no explanation of the "NOAA deobligations" which are referred to in the budget charts in Appendices A and C. This may be a fairly simple technical matter, or a euphemism for something else. Altogether, the financing details need examination.

WHAT ARE THE POLICY IMPLICATIONS OF THE BUDGET

The FY 87 budget, if approved, would have the following effects:

I) It would eliminate NOAA as a serious ocean and marine resource agency;

II) It would severely cut back NOAA as a fishery resource agency; and,

III) It would substantially cut NOAA's position as a scientific agency.

These cuts would leave NOAA as an atmospheric services, charting, and fishery regulation agency.

The point is not that cuts are bad in and of themselves, particularly in difficult times. However, the pattern of these cuts is such as to raise fundamental questions about the mission of the agency. Activities of demonstrable worth are being thrown away in what is clearly more than a pruning and shearing operation. We urge the Congress not to make changes of this magnitude without careful oversight scrutiny and appropriate legislation. Since 1982 we have recommended that a "second Stratton Commission" be constituted to take a broad look at U.S. civilian ocean policy. From the magnitude of the proposed budget cuts, it would appear that such a commission is more needed now than ever before.

OCEAN PROGRAMS

We can most clearly see the effects of the budget in the proposed elimination of NOAA as a lead civilian ocean agency. Consider:

TABLE IV
OCEAN AND COASTAL PROGRAMS

	Dollars in Thousands		
	FY 86 Approp.	FY 87 Proposed	% Change
Non-living Marine Resources	1,525	1,589	---
Ocean Research	36,688	21,958	- 40%
Ocean Services	30,090	21,411	- 29%
Sea Grant	39,000	0	-100%
National Coastal Institute	1,250	0	-100%
Coastal Zone Management	43,954	5,875	- 87%
Mapping, Charting, Geodesy	46,095	41,580	- 10%
	198,602	92,413	- 53%

The column of percentage cuts tells the whole story. Productive Activities and some of the most challenging research in the marine environment are being rolled up as the agency's ocean role is reduced to charting and support activities. Several of these items will be reviewed further later.

FISHERY RESOURCES

The fishery budget picture is equally clear:

TABLE V
FISHERY RESOURCES

	Dollars in Thousands		
	FY 86 Approp.	FY 87 Proposed	% Change
Information Collection and Analysis	95,027	65,425	- 31%
Conservation and Management Operations	43,224	28,300	- 35%
State and Industry Programs	23,858	2,964	- 88%
	162,109	96,689	- 40%

The cuts are from a variety of areas. Despite several assertions that support of research required in support of the U.S./Canada Pacific Salmon Treaty is being preserved, a number of the salmon research and enhancement activities which are necessary are, in fact, scheduled for elimination. A whole range of critical habitat activities, including those for Chesapeake Bay but extending across the country, are cut back or eliminated. As is true in the ocean research section, essential fishery oceanography work is proposed for cuts, together with a range of stock enhancement activities, as well as cuts in the regional fishery management councils. State and industry programs are essentially eliminated, along with S/K funding. Also proposed for elimination is the NMFS capability for fishery development research and for fish product quality and safety research.

Such a drastic reorientation of national fishery policy, even if it were to prove to be desirable, would seem to require significant legislative restructuring of the existing statutory framework.

NOAA'S RESEARCH ROLE

Overall, NOAA's Research and Development budget is cut from $265 million to $196 million, or 26%. These cuts are heaviest in the Research area of this total, which is cut from $226 million to $164 million, or 27%, while Development activities receive a 20% cut. However, these figures do not tell the whole story. A number of the items that remain should be classified as monitoring, not as research. These are mostly good and worthwhile items, but they are not the stuff that will help a scientific services agency improve its product. They do not comprise the seed corn for the future. And, while the atmospheric sciences are not immune from cuts, the vast majority of the cutbacks are in the ocean and fisheries aspects of NOAA. At a time when the ocean sciences are being increased in the National Science Foundation and other key agencies for the oceans, NOAA is cutting back, and its modest ties to the universities --the principal scientific resource of this society--are being drastically reduced. Including Sea Grant, NOAA's ocean research role is being cut back by over 50%. It is difficult to gauge the full impact in fisheries research, since so many miscellaneous items are bunched in that area, but a major part of the capability is being reduced. If the intent is to eventually eliminate the agency's role in the oceans, this is the way to go. In such a case, serious attention should be given to transferring these essential research functions to the National Science Foundation, the Navy, and perhaps the Department of Agriculture. If there is no such intent, then the agency's ocean sciences need to be strengthened, and its ties to the universities need to be substantially expanded.

Several specific items of considerable import are discussed below.

1. In the proposed termination of Sea Grant alone, NOAA would eliminate major national capabilities in biotechnology; aquaculture; coastal processes; the fate and effects of toxic pollutants--particularly in the Great Lakes; estuarine processes and critical habitat; fisheries recruitment; underutilized species; seafood product improvement, safety and health; and important economic and policy issues, as well as ocean technology. Loss of these capabilities and of the agency's principal interface with the university scientific community is a large-step backwards. And, as a separate budget justification indicates, these are by no means the only consequences of terminating Sea Grant.

2. There are several national priority research areas which are proposed for cuts:

a) Fishery Oceanography studies (FOCI) are cut back by $1 million, or one-third, in the ocean research budget, as are supporting activities in the fisheries budget. These studies are an essential element in arriving at better means of assessing and predicting variability of fishing stocks. They are central to NOAA's mission.

b) The Tropical Oceans and Global Atmosphere Research Program (TOGA), is cut back by $2 million. NOAA's role in this major international effort to learn about the dynamics of the El Nino phenomenon and related events is thus reduced and the whole study jeopardized.

c) Polymetallic sulfide/ridge processes research is eliminated to save $1.8 million. These studies are essential in learning about mineral formation, chemical dispersion in the ocean, and the resources and potential of the Exclusive Economic Zone. No agency with broad ocean responsibilities can afford not to be involved in this major and exciting area. Even the current NOAA level of effort is quite small.

d) By largely eliminating estuarine and critical habitat research in the fisheries budget--coupled with the proposed termination of Sea Grant--NOAA is moving to dismantle the major national effort in these areas, which are critical to fish and shellfish production, as well as to human enjoyment.

e) Ocean pollution studies are cut back by $5,800,000. The need for these studies remains and NOAA's responsibilities in this area are not likely to be picked up by others.

f) Seafood research--including product improvement, quality, and safety research--is virtually eliminated in NOAA. This not only portends a major shift in the agency's fisheries role, it removes much of our capacity to improve our fisheries products and compete more effectively in the international fisheries market--where world fish sales contribute to our balance of trade deficit.

g) Marine Biotechnology. Except for the capabilities that the Sea Grant universities have built through reallocations of effort, NOAA is not a participant in the government-wide initiative in biotechnology. NOAA has an opportunity to assert leadership in marine biotechnology and to thereby contribute to economic development. Yet while other agencies are projecting major increases in support, NOAA has no biotechnology funds whatsoever in its budget.

All of these areas represent opportunities and needs that the Sea Grant community has repeatedly urged be considered as national priorities. They have broad support as priorities among the scientific community, and among the ocean community broadly. Most of them have been part of NOAA's own priorities. They are central to any program that attempts to make the declaration of the Exclusive Economic Zone a reality. They are essential to NOAA's role as a lead civilian ocean agency. We urge the Congress to consider these items carefully. If the ongoing activities need improvement, by all means do so. The functions, however, are too important to be discarded. We urge restoration of the cuts and funding of an initiative in marine biotechnology.

Once again, the NOAA Underwater Research Program (NURP) is targeted for elimination. This program gives NOAA unique capabilities in underwater research. A national committee is now examining NOAA's--and the nation's--underwater program and will be making recommendations for future directions. This important capability should be maintained.

3. Satellite oceanography offers the opportunity for a quantum jump in our study and understanding of the oceans and their resources. A phased program of satellites and accompanying research has been endorsed by scientists and adopted by the federal government science structure. Unfortunately there is no evidence in this budget that NOAA is undertaking its share of the load, which was to provide the design and the ultimate payload for the Ocean Color Imager. The Ocean Color Imager is key to understanding and predicting the chemical and biological processes that control primary productivity to fisheries. Moreover, it provides fundamental information on patterns of ocean currents. A joint industry-government partnership is being discussed as a viable way to fly the instrument on one of the NOAA-Next satellites. NOAA should include in its FY 87 budget the necessary R&D and engineering development funds so that this project can be undertaken in a timely way, in order to fly at the same time as the other environmental satellites now planned for the early 1990's.

SEA GRANT

An FY 87 Budget Justification for Sea Grant has been prepared as a companion piece to this analysis. We will briefly summarize that justification here.

Congress has repeatedly cited Sea Grant as one of the most efficient and cost-effective programs supported by the federal government. Recent developments--such as the development and the impending commercial production of an oyster that is highly palatable year-round, and not just during the "R" months--or such as the development of an anti-fungicidal wheat treatment from chitosan (derived from crab shell waste), which has led to 10-20% increase in wheat yields and to a commercial product which is $15 per acre cheaper than current chemical treatments--suggest that the program remains highly productive. To maintain the core program and to prevent further erosion of its capabilities, we request an appropriation of $42 million.

While other federal agencies were increasing their budgets to support the government-wide biotechnology initiative, Sea Grant universities were reprogramming declining funds in order to support marine biotechnology. Modest as this effort is, it is the major national activity in this field. Marine biotechnology offers considerable opportunities for economic development. We request a new initiative of $5 million to begin undertaking a credible national effort in this field.

NOAA AND THE UNIVERSITIES

Traditionally NOAA has relied on in-house facilities to meet its scientific needs. These facilities largely have served the agency well. However, in this society the main repository of scientific talent is in the universities. There are many areas of responsibility where NOAA's in-house capabilities simply are not broad enough to fit its needs. Even in the areas of greatest agency strength--such as the atmospheric sciences and fisheries--the pace of developments and scientific change are requiring increasing reliance on university investigators. In addition, as agency responsibilities increase while personnel ceilings decline, NOAA is going to have to look outside the agency for the talent to address many of its requirements.

For the most part, there has not been much interaction in the past between NOAA and the universities. Even today, the Sea Grant program represents well over half of the total interaction of all kinds. Termination of Sea Grant, and of NURP, and cutbacks in many other areas would mean a large backward move.

Ironically, these continuing efforts at elimination come at a time when there is increasing realization within the agency that greater involvement with the universities is essential to NOAA's future, and that Sea Grant is a key ingredient in that partnership. This process should be encouraged.

CONCLUSION

We recognize the considerable problems presented by the national budget reduction effort and the hard choices the Congress is being asked to make. At the same time, it appears that the deep cuts being proposed for NOAA go far beyond deficit reduction requirements, and that many necessary activities are being cut without adequate justification.

We appreciate your consideration of this request.

February 18, 1986

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APPENDIX #5

RESCISSION OF FY 86 SEA GRANT FUNDS

RESCISSION

The federal budget submission for NOAA for FY 87 contains several requests for rescission from the FY 86 appropriation previously approved.

A rescission of approximately $30 million is targeted at the National Sea Grant College Program--the other funds have already been obligated.

EFFECT

If the rescission were approved, its effect would be to terminate the Sea Grant program by the first of October. The university programs would be affected in the following order (listed by date when the negotiated grant is due for renewal):

April 1

FLORIDA
ILLINOIS/INDIANA

May 1

ALASKA
CALIFORNIA
DELAWARE
MAINE
MICHIGAN
NEW HAMPSHIRE
NEW JERSEY
NEW YORK
NORTH CAROLINA
PUERTO RICO
VIRGINIA
WASHINGTON

June 1

HAWAII

July 1

CONNECTICUT
MARYLAND
MASSACHUSETTS (both MIT and Woods Hole)
MISSISSIPPI/ALABAMA
RHODE ISLAND

August 1

OREGON

September 1

GEORGIA
LOUISIANA
OHIO
SOUTH CAROLINA
TEXAS
WISCONSIN

October 1

MINNESOTA
SOUTHERN CALIFORNIA

(PTO)

SHORT-RUN "STRETCH OUT"

Two programs (FLORIDA, ILLINOIS/INDIANA) have grants due for renewal on April 1, during the period when the 45 legislative day waiting period will be running. Two programs (NEW JERSEY, PUERTO RICO) have grants due for renewal on May 1. Ten others (ALASKA, CALIFORNIA, DELAWARE, MAINE, MICHIGAN, NEW HAMPSHIRE, NEW YORK, NORTH CAROLINA, VIRGINIA, AND WASHINGTON) have only received a portion of the funds previously negotiated for this year--and will also run out of funds by May 1. Once the rescission is either rejected or time runs out, the grant approval process in the Department of Commerce is likely to take a number of weeks before funds are committed, and could take several months.

For these programs, timely disposition of the rescission request is urgent. Most are faced with personnel layoffs in the near future, and all might be forced to try to carry forward without funding for several uncertain months if the full rescission waiting period is allowed to run its course.

REQUESTED ACTION

1. That the Congress reject the request for a rescission affects Sea Grant appropriations.

2. That the rescission be rejected by the appropriatins committees as soon as possible, in order to prevent undue impact on those programs which are most immediately in jeopardy and to enable rational planning in the other universities.

THANK YOU

The Sea Grant network deeply appreciates the continuing support of the Congress.

Sea Grant Task Force
February 6, 1986

For further information call:

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Mr. Smith. Thank you. I must note that this Committee has each year for the past several years found some way or another to shift money around and put more money into NOAA than the Administration requested. It is really getting difficult in this budget climate to continue to do this when they don't put sea-grant in the request. It is awfully difficult to find it somewhere else. There are good supporters on this committee on NOAA, including Mr. Dwyer.

Mr. Dwyer. You said it all. It is getting more difficult as time goes by.

Mr. Copeland. We appreciate that support, Mr. Chairman, and point out at the same time that this is the sixth consecutive year that we have come here to testify in this same condition, and you have restored us each time. We ask you to do it another time.

Mr. Smith. Thank you.

Mr. Copeland. Thank you very much.

Monday, March 3, 1986.

NOAA PROGRAMS

WITNESSES

KATHRYN R. TOLLERTON, WASHINGTON REPRESENTATIVE FOR MARINE SANCTUARIES, DEFENDERS OF WILDLIFE

AL MANVILLE, WILDLIFE BIOLOGIST, DEFENDERS OF WILDLIFE

Mr. Smith. Kathy Tollerton, Defenders of Wildlife is the next witness.

Thank you, Mr. Chairman. I am Kathy Tollerton from Defenders of Wildlife. I am testifying today on behalf of Defenders, the Center for Environmental Education, in the World Center. I have with me Dr. Al Manville, our wildlife biologist.

First, I want to thank the committee for its continuing strong support of the NOAA programs in the face of continued efforts to very substantially reduce the size of the programs we testify on and the other programs in the agency. First off, I will talk about the estuarine sanctuary program. First, in the estuarine program we recommend restoration of the $800,000 that the administration proposes to cut from the program this year.

Reductions, we feel, would result in stretching out the cost of new sanctuary sites; land along the coasts never gets any cheaper. It will simply be more costly in the long run to obtain this land.

In addition, the research program in the estuarine sanctuary area is very important in terms of helping the estuarine sanctuary management make decisions on coastal matters. It is also important to other coastal zone officials. We think that this is important and this would also be adversely affected by the $800,000 cut, and we would urge restoration of this cut.

We also point out this is a federal-state program. The Federal Government bears only half the costs of acquiring the land and the water sites, and at this point there are now 16 sanctuaries in the program. In the marine sanctuary program again, we recommend restoration of the $700,000 that the administration proposes to cut from the program. This is quite similar to the cut they proposed last year in the program, and would result in drastic cuts in the management, the research, the intepretation, and the enforcement activities in the sanctuaries.

Many of these sanctuaries are in places that are extremely attractive to tourists and weekend vacationers, because of the coral formations and the other interesting features in the waters. Enforcement particularly is a big problem. The coral is very delicate. It can be destroyed or severely damaged by careless scuba divers as well as through the results of fishnet bottom dragging, and bilge pumping in the sanctuaries. I think they do a good job in trying to keep these sanctuaries in good shape to preserve the coral and the other natural features, but they certainly need the money to continue to do the program adequately.

In the National Marine Fisheries Service, we recommend restoration of a number of cuts and a few enhancements. In this area we feel that these cuts would result in the failure to carry out policies that Congress has acquired under the Marine Mammal Protection Act, the Endangered Species Act, and other laws. And it also undercuts the efforts of the states and the local governments as well as private organizations to protect the species in the ecosystems such as the Chesapeake Bay. The longer this work is delayed, the more expensive recovery will be.

Turning first to marine fishery resource programs, we do applaud the increase that the administration proposes here of $800,000 for dolphin monitoring, but we think that this should be accompanied by an understanding that steps will be taken to reduce incidental catch levels, including but not limited to more restrictions and regulations on enforcement as there are declines in the populations.

Turning next to the protected species research, there is $1,275,000. We recommend this be restored. You have restored this and we are very appreciative of this, in previous years. This year we would recommend that in dealing with the trawler efficiency devices, that possibly this might be funded with purchase of these for shrimp trawlers, might be funded out of the Saltonstall-Kennedy funds. We offer that as one possibility.

We also would recommend that for a second year that NOAA utilize $50,000 to continue the development and implementation of a recovery plan for the Gulf of California harbor porpoise. We are appreciative of the fact that the committee recommended that last year. We are concerned that so far as we know, this work has not been started in the agency, and we feel that it is important to do the 1986 work and to continue it in 1987.

We recommend also the restoration of the $1.5 million in the Chesapeake Bay studies program. We also would recommend that the committee consider providing $50,000 for the development of a recovery plan for the humpback whale. The Endangered Species Act amendments in 1982 directed the Secretary to give priority to developing plans for species that might be in conflict with construction or other forms of economic activities.

There is reason to think that the humpback may be threatened by harassment from pleasure boating and from whale-watching in its breeding grounds, from conflicts with fisheries in its feeding areas. We would recommend that $50,000 be appropriated for a recovery plan for the humpback in the North Atlantic and the North

Pacific. We think this would probably take two years and could be undertaken by a minimum of one or two and possibly four researchers.

We also appreciate that you appropriated the money last year for the white whale recovery program, and we recommend continuation of that.

I also want to call your attention to the need to continue the gear debris and entanglement work. We are very appreciative of the fact that you continued this work last year at $750,000. We would recommend that this continue.

We feel that the work this year should go beyond the assessment of the effects of the debris and entanglement on seabirds and marine mammal populations. You probably know that the kind of problem that occurs apart from the ghost nets is that animals become entangled in them, and they are in effect strangled and die. If they eat pieces of these things, the plastic swells up in their stomaches and they die as a result of not being able to eat.

We think NOAA ought to go further to provide techniques for marking gear and packaging of the type that are now being abandoned. We also think the Service ought to research and develop improvements in the regulations and related law enforcement programs that would reduce driftnet and grill mortalities. These would include research on and regulations for civil fines or assessments for nets found adrift or found to contribute to the mortality or taking a protected species.

In addition, we also recommend under the protected species management that NOAA give consideration here to providing $250,000 and five FTEs to provide for any entantlement management and enforcement.

On the last item, habitat conservation, I have a very brief reference to the need for restoration of funds. We would provide additional formation on this subject for the record, and I call your attention to the fact that at the back of my testimony we do have a one-page table that shows the restorations and enhancements that we recommend, and again we thank you for your support for the programs. We will be glad to answer your questions.

[The statement of Ms. Tollerton follows:]

Defenders
OF WILDLIFE

TESTIMONY OF

KATHRYN R. TOLLERTON

WASHINGTON REPRESENTATIVE FOR MARINE SANCTUARIES

DEFENDERS OF WILDLIFE

BEFORE THE

SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, THE JUDICIARY
AND RELATED AGENCIES

OF THE COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

MONDAY, MARCH 3, 1986

ON BEHALF OF

DEFENDERS OF WILDLIFE

CENTER FOR ENVIRONMENTAL EDUCATION

THE WHALE CENTER

Mr. Chairman and Members of the Subcommittee:

Thank you very much for the opportunity to testify on the Fiscal Year 1987 budget requests for the National Estuarine Sanctuary Program, the National Marine Sanctuary Program, and the Protected and Endangered Species and related activities of the National Oceanic and Atmospheric Agency (NOAA). I am testifying on behalf of Defenders of Wildlife, the Center for Environmental Education, and the Whale Center. Our members and supporters have a strong interest in the preservation and protection of our coastal and marine resources and in the protection of endangered and threatened species. At the outset, we particularly want to express our thanks to all the Members of this Committee for their support for the marine sanctuary program funding, the $750,000 for the fishery gear entanglement program, and the provision initiating a recovery plan for the Gulf of California harbor porpoise in the FY86 Commerce Appropriation Law. We believe it is in the national interest to improve and strengthen these programs.

Our funding recommendations for FY1987 for these programs constitute a package of restorations and enhancements which are shown on a table at the end of this statement.

Coastal Zone Management

National Estuarine Sanctuary Program

Mr. Chairman, we are requesting $2,059,000 for the National Estuarine Sanctuary Program in FY87 and $800,000 more than the FY87 Administration request of $1,259,000. If this major reduction were made, acquisition of new sanctuary sites would be slowed down and increase in cost, and research would be cut severely. With reduced funds it would be difficult to reach the goals in FY87 of designating the sanctuary site at Great Bay, NH and completing the multi-site sanctuary in Puerto Rico. The costs of waterfront property go up continually. Site acquisition costs would have to be stretched out over several years, increasing the risk that willing sellers would turn to other purchasers and the opportunity to preserve valuable estuarine areas for research, education, and recreation would be lost. Estuarine research is the key to understanding the physical and biological processes in the estuaries. The estuarine sanctuaries operate as natural laboratories to provide information to assist coastal management decision makers in solving coastal management problems.

This program is a federal-state partnership. The federal government bears only half the cost of acquising these land and water sites, which are state managed. This is a good investment of federal tax dollars. Sixteen sanctuaries have been designated in 14 states.

NATIONAL MARINE SANCTUARY PROGRAM

Turning to the Marine Sanctuary Program, for Fiscal Year 1987, we request $2,896,000 for the program. This is $700,000 more than the Administration request of $2,196,000. To date seven ocean and coastal water areas have been designated National Marine Sanctuaries (NMS), and two more will be approved during the current Fiscal Year. The new sites are: Cordell Bank, an approximately 20-square-mile area off the northern California coast, which has a series of extensive undersea ridges and narrow pinnacles on the edge of the continental shelf, and is a feeding area for marine species ranging from the endangered brown pelican to the endangered humpback whale; and Flower Garden Banks, located in the Gulf of Mexico, approximately 110 nautical miles southeast of Galveston, Texas, which contains a terrace formation and the northernmost living coral reefs on the continental shelf. $2,896,000 is needed to continue the existing management, education, research, and enforcement activities at the sanctuaries. With the level funding we are recommending, NOAA will also be able to begin active consideration of the next site scheduled for designation as a sanctuary -- Norfolk Canyon, a submarine canyon located 60 nautical miles off the coast of Virginia, which contains huge tree corals and areas along the canyon walls where large invertebrates and some finfish dig caves and burrows.

A $700,000 reduction in the program from the FY86 level would force a severe cutback in the management, research, interpretation, and enforcement activities which are vital to the maintenance and conservation of the sanctuary sites. A strong interpretation program -- educating visitors about the sanctuary's natural features and marine inhabitants -- is essential to the protection of the sanctuary and to better public appreciation of man's impact upon the marine environment. A solid research program that charts the movement of whales or sharks within the sanctuary, for example, is essential to the development of good management practices, to the interpretation program and to the scientific understanding of the sanctuary's marine resources. Through the interpretation and research programs, visitors learn the reasons for banning such activities as spearfishing, bottom dragging, using of wire fishtraps, and bilge pumping in the sanctuary.

Mr. Chairman, these sites are a national treasure. I would like to cite a few prominent examples of their value:

* The U.S.S. MONITOR NMS, the first sanctuary designated, protects the sunken remains of the Civil War iron-clad vessel in the waters off North Carolina. The marine sanctuary program funds research to determine the best way to raise the vessel, an important historic marker.

* The Key Largo NMS, Florida, manages and protects the 100 square miles of beautiful and fragile coral reefs and marine feeding areas on the sanctuary, which is visited by over half a million people annually.

* The Point Reyes/Farallon Islands NMS, which boasts the largest seabird rookery in the lower forty-eight states, is important habitat for seabirds and marine mammals who are very sensitive to the human disturbance characteristic of the mainland coast.

These tracts are an important part of our national heritage, both environmentally and historically. If insufficient funds are allocated now to preserve and protect this heritage, it may be lost or damaged beyond the power of future generations to restore at any cost.

The estuarine and marine sanctuary programs are unique, the first of their kind in the world. We believe that the value of these programs far exceeds their small cost. It is very much in our national interest to preserve both species and environments to which we as fellow creatures are intimately related in the seamless web of life.

National Marine Fisheries Service

The President proposes substantial cuts in resource information and management, including work on protected species and ecosystems of particular concern, such as the Chesapeake Bay. Such cuts will result in a failure to carry out the policies enunciated by Congress in the Marine Mammal Protection Act, the Endangered Species Act, and other statutes, it will undercut efforts of state and local governments and private organizations to cooperatively protect these species and these special ecosystems, such as the Bay, and it will make future recovery much more expensive.

Marine Fishery Resource Programs

Information Collection and Analysis

Resource Information

The Administration proposes to cut $26,659,000 and 128 positions from the Resource Information account. We recommend restorations including, but not limited to, those outlined below. We also recommend that the Committee instruct the Department to preserve or add personnel in specific instances.

We applaud the increase of $800,000 for dolphin monitoring but note that it should be accompanied by an understanding that steps will be taken to reduce incidental catch levels, including, but not limited to, more restrictive regulations and enforcement, as soon as declines in populations are indicated.

The $1,275,000 for protected species research should be restored. This includes turtle population assessment, efforts to reduce the incidental take of sea turtles, and research on bowhead whales and Hawiian monk seals. With technical assistance of NMFS personnel, Trawler Efficiency Devices (TEDs) should be provided, possibly with matching funds from the Saltonstall-Kennedy Fund, to shrimp trawlers in areas of highest sea turtle mortality. The Service should, among other actions, assess and develop regulatory options in this area. Out of these funds, NOAA should utilize $50,000 to continue the development and implementation of the recovery plan for the Gulf of California Harbor Porpoise. This plan is being initiated at Congress' direction for the world's smallest and rarest cetacean. While encouraging reports of sightings continue, so do the threats to this endangered porpoise in the Sea of Cortez.

Further restorations should include:

The $1.5 million in Chesapeake Bay Studies;

The $1.5 million for marine mammal research - this represents an unjustified cut of 47% of the Marine Mammal Laboratory budget.

An enhancement of $50,000 for a recovery plan for the Humpback Whale should also be provided:

The humpback whale, Megaptera novaeangliae, is one of the rarest great whales and resides within U.S. waters the greatest amount of time. For these reasons, the United States has the opportunity to act constructively to recover the humpback and to set a positive example for world-wide whale conservation. The first step in protection is writing a recovery plan for the species. The 1982 amendments to the Endangered Species Act direct that the Secretary give priority in developing plans to species that may be in conflict with construction or other forms of economic activity. The humpback whale may be threatened by harassment from pleasure boating and whale watchers on its breeding grounds and by conflict with fisheries in its feeding grounds. Defenders recommends that $50,000 be appropriated for NMFS Protected Species research to write a recovery plan for the North Atlantic and North Pacific populations of humpback whale.

Writing a recovery plan for the humpback whale would entail evaluating the following with respect to the conservation needs of the whale: 1) threats to the whale, 2) research and management necessary to alleviate threats and facilitate recovery, 3) regulations and law enforcement required for effective protection, 4) means of protecting habitat essential to the whale, and 5) information and education necessary to encourage public support of whale recovery.

Writing the recovery plan could be contracted to one expert or to a team of four to five experts and be completed within one to two years of funding.

We recommend restoring the $500,000 for research on the right whale, one of the most endangered of large whales. Key portions of inshore habitat are being considered for waste dumping and hydrocarbon extraction. Continued research will help avoid jeopardizing the whales and enhance their recovery.

We also recommend a restoration of the $750,000 to build upon work done in FY85 and 86 on gear entanglement. Take of protected species continues practically unabated. Research should continue to develop solutions to the problem of continuing sea bird, seal, whale, turtle, and other mortality associated with drift nets, near shore gill-nets, and abandoned packaging. Techniques for marking gear and packaging that is likely to be abandoned must be further developed and implemented, where appropriate. The Service should also research and develop improvements in its regulations and related law enforcement programs that would reduce drift net and gill-net mortality. These should include research on and development of regulations to provide for civil fines or assessments against those whose marked or numbered nets are found adrift or found to have contributed to non-target mortality or the taking of protected species. These assessments could be devoted to species' recovery work by NMFS. Like traditional strict liability in tort, these would supplement rather than replace current civil and criminal fines requiring intent or demonstrable negligence, and provide an immediate incentive for reducing the current threats posed by such nets and gear. The Service should also continue to pursue research and development of the legal basis and practical techniques for reducing take on the high seas and abandonment by foreign nationals, for example, through international conventions (at least one relevant convention appendix is currently being assessed).

Protected Species Management

The Office of Protected Species is and has been severely underfunded. An enhancement of $800,000 is in order along with an additional 8 FTEs. Of this, $300,000 should be used to begin developing a list of marine candidate species that may require listing in the near future and a process for identifying such candidates on a more regular basis, as NMFS has never generated internally a proposal for listing though a number have been warranted. Of this sum, $250,000 and 5 FTEs should be provided to improve anti-entanglement management and enforcment. This could provide additional staff for each coast, Hawaii, and Alaska.

Habitat Conservation

The proposed reduction of $2,269,000 should be restored so that the environmental impact analysis, mitigation, and conservation work can continue.

This concludes our testimony. Thank you again for your strong and continuing support for these programs and for your attention and consideration today. We would be glad to answer any questions you may have on our endangered species and estuarine and marine sanctuary program recommendations.

For further information:

1. Sanctuary Programs
   Kathryn Tollerton
   Defenders of Wildlife
   (202) 659-9510

2. Endangered Wildlife Program
   John Fitzgerald
   Defenders of Wildlife
   (202) 659-9510

3. Entanglement Program
   Dr. Albert M. Manville, II
   Defenders of Wildlife
   (202) 659-9510

Coastal Zone Management		
Restorations		
National Estuarine Sanctuaries	$ 800,000	
National Marine Sanctuaries	$ 700,000	
Total - Restorations		$1,500,000
National Marine Fisheries Service		
Restorations:		
Resource Information		
Protected Species Research (Including $50,000 for Gulf of California Harbor Porpoise recovery)	$1,275,000	
Chesapeake Bay Studies	$1,500,000	
Marine Mammal Research	$1,500,000	
Right Whale Research	$ 500,000	
Gear Entanglement	$ 750,000	
Habitat Conservation	$2,269,000	
Total - Restorations		$7,794,000
Enhancements:		
Resource Information		
Humpback Whale Recovery Plan	$ 50,000	
Protected Species Management		
Office of Protected Species	$ 800,000	
Total - Enhancements		$ 850,000

Mr. **Smith**. Where is the breeding ground of the humpback whale?

Ms. **Tollerton**. Humpback whale breeding ground, in the Pacific calving grounds, which I think is largely off of the islands of Lenai in Hawaii, Maui, in that general area.

Mr. **Smith**. You mentioned pleasure boating.

Ms. **Tollerton**. Yes. As the interest in marine mammals has continued, there are a lot of recreational boats and sightseeing boats that go out into that area.

Mr. **Smith**. To see them?

Ms. **Tollerton**. To see them, yes.

Mr. **Manville**. Whale-watching tours and what have you.

Mr. **Smith**. Mr. Dwyer.

Mr. **Dwyer**. No questions. Thank you very much.

Ms. **Tollerton**. Thank you, Mr. Chairman.

Monday, March 3, 1986.

JUVENILE JUSTICE PROGRAMS AND USIA'S INTERNATIONAL STUDENT EXCHANGE PROGRAM

WITNESSES

FATHER WILLIAM GEORGE, SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

FATHER HAROLD BRADLEY, SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

Mr. **Smith**. Father Bradley and Father George.

Father **George**. Good morning, Mr. Smith. I am Father William George. With me is Father Bradley. We are both assistants to the President of Georgetown. I would like to ask if you would permit me to submit Father Collins' testimony on the national law related education program, which is a great program and which you have been generous with in the past. Father Bradley is the expert on student exchange.

Mr. **Smith**. We will put it in the record.

[The statement of Father Collins follows:]

SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, THE JUDICIARY AND RELATED AGENCIES

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

March 3, 1986

Mr. Chairman, Members of the Subcommittee:

We are Father William George and Father Harold Bradley, Special Assistants to the President of Georgetown University, and we want to thank you and the members of this Subcommittee for the opportunity to testify.

We would like to address briefly the International Student Exchange Program, which was established in 1979. It is a fully reciprocal, university-level exchange plan, based at Georgetown University in Washington, D.C., and is funded primarily by a grant from the United States Information Agency, under authority of the Fulbright-Hays Act of 1961. Estimated per participant administrative costs to the Government are an average of $819 in Fiscal Year 1985, $690 in Fiscal Year 1986 and $600 in Fiscal Year 1987. All program costs are borne by the individual participants, their home and host universities, and other governments.

We would ask that the Committee in its report encourage the United States Information Agency to continue to fund this program. We anticipate that $480,000 will be needed during Fiscal Year 1987 to fund a minimum of 800 exchanges.

We would like to submit for the record additional information about the International Student Exchange Program.

International Student Exchange Program

The International Student Exchange Program (ISEP), which was established in 1979, is a fully-reciprocal, university-level exchange plan funded primarily by a grant from the United States Information Agency, under authority of the Fulbright-Hays Act of 1961.

Based at Georgetown University in Washington, D.C., ISEP provides an administrative and financial structure to facilitate the regular exchange of students on a one-to-one basis between participating institutions in the United States and institutions around the world. ISEP has grown from an initial ten member institutions to a network of more than 150 institutions in over 28 countries and 35 states of the United States.

The ISEP program is designed so that students pay all of their fees, including tuition, room and board, to their home institution and take up a place at an ISEP host institution, with no money changing hands. Exchanges can occur at any tertiary academic level and in any discipline and can range in length from one semester to two years. While the total number of incoming and outgoing students at each institution must balance, ISEP exchanges are multilateral in nature: each ISEP institution may enroll candidates from member universities abroad at which its own nominees may or may not choose to study. This flexibility is one of the strengths of the ISEP program.

In the first 7 years of the program, a total of 1916 participants were exchanged between the United States and other countries. A total of $2,500,478 in Fulbright grant funds was received from USIA for the 7 years ending June 30, 1985. Per participant administrative costs to the government equalled $844 in FY 85. All program costs are borne by the individual participants, their home and host universities and other governments.

With a $476,582 grant from USIA for the period July 1985-June 1986, a base minimum of 600 exchanges is estimated at an administrative cost to the U.S. government of less than $800 per participant.

The ISEP network is the largest of its kind, distinguished by direct enrollment in host universities and promotion of foreign language competence among U.S. undergraduates. Based on strong bi-national linkages with our European allies, ISEP also offers an emphasis on exchanges with non-traditional, i.e., non-Western European, country partners. During FY 85 18% of ISEP's U.S. participants studied in Africa, Asia and Latin America, compared to the national average estimated at 5%. Through ISEP, the pre-eminent universities in developing countries are training prospective and junior faculty members in U.S. graduate programs, primarily at state universities, which comprise 70% of the U.S. institutional membership of ISEP.

JMF/mc
2/86

THE INTERNATIONAL STUDENT EXCHANGE PROGRAM
a non-profit membership organization for institutions of higher learning, is affiliated with Georgetown University
and funded primarily by the United States Information Agency under authority of the Fulbright-Hays Act of 1961
1242 35th Street, N.W., Washington, D.C. 20057   (202) 625-4737   Telex 64574 ISEP

GEORGETOWN UNIVERSITY
WASHINGTON, D.C. 20057

OFFICE OF THE PRESIDENT
SPECIAL ASSISTANT FOR
FEDERAL RELATIONS

[illegible]

February 27, 1986

The Honorable Neal Smith
Chairman, Subcommittee on Commerce,
Justice, State, the Judiciary
and Related Agencies
Committee on Appropriations
United States House of Representatives
H-309, Capitol Building
Washington, D.C. 20510

Dear Chairman Smith:

I am Father T. Byron Collins, S.J., Special Assistant to President Healy of Georgetown. I write you on behalf of the coordinated, national Law-Related Education Program.

You and the Subcommittee have been most supportive of this worthwhile delinquency prevention effort. Most recently, in the Committee's report for fiscal year 1986 appropriations, you directed that the Law-Related Education Program be supported "at a level of not less than $2.2 million." H.R. Rep. No. 197, 99th Cong., 1st Sess. 42 (1985). Previously you included express language in the Committee's report on fiscal year 1984 appropriations directing an increase in funding for Law-Related Education that year to fund this effective program. H.R. Rep. No. 232, 98th Cong., 1st Sess. 45 (1983).

As you know, enactment of the Comprehensive Crime Control Act of 1984, Pub. L. No. 98-473 (1984), included multi-year authority to develop and implement further this important delinquency prevention program. Indeed, the Juvenile Justice, Runaway Youth and Missing Children's Act Amendments of 1984 expressly included the coordinated, national Law-Related Education Program of delinquency prevention as a top priority special emphasis prevention and treatment program. 42 U.S.C. §5634(a)(6). In addition, express authority is now available for States to utilize their juvenile justice formula grants for law-related education programs and projects designed to prevent juvenile delinquency. 42 U.S.C. §5633(a)(10)(L).

With projects now possible throughout the country, it is most important that this delinquency prevention strategy be effectively coordinated, as it has been most successfully through Drake Law School in Iowa. Evaluations have shown that law-related education can reduce juvenile delinquency when properly implemented. Indeed, OJJDP's Eighth Analysis and Evaluation of Federal Juvenile Delinquency Programs notes that evaluations of the Law-Related Education Program have been "encouraging . . . confirming previous findings that such education serves as a significant deterrent to delinquent behavior." Id. at 69. Among the reported recommendations of the Coordinating Council on Juvenile Justice and Delinquency Prevention was one encouraging "enhancement of law-related education as a technique to enhance good citizenship and reduce delinquent behavior among America's youth." Id. at 32. Ensuring proper implementation as these programs are replicated across the country is most important and best accomplished by those whose vast experience has been demonstrated by the development of effective curriculum materials and implementation of successful projects.

In the past years the Program had been able to support intensive activities in only a handful of States and technical assistance efforts for the rest of the Nation. By the end of this year the intensive, coordinated, national Law-Related Education Program is intended to serve 25 States, including New York and Kentucky for the first time.

In the first year of the Program, school year 1984-85, over 280,000 youngsters directly benefitted from law-related education training. Over 4,000 teachers from almost 200 school districts were trained, over 400 educational leaders attended leadership training workshops and over 2,000 State and local leaders participated in public and private sector partnership conferences. This year the participation could expand by as much as 50 percent in each of these activities. By the end of fiscal year 1986, if the earmarked appropriations are made available, additional growth could result in close to one million juveniles participating in Law-Related Education Program activities. Each federal dollar is leveraged by several times as much in private and local contributions. As States learn to utilize their formula grant funds under the new authorizing legislation, each dollar of special emphasis delinquency prevention funding for coordination and to ensure effective implementation will further increase in value.

Such activities cannot succeed, however, if not given an opportunity to take root and grow. Public-private partnership conferences and teacher training activities have been organized and begun, but local implementation takes time and commitment. In order to succeed, the coordinated, National Law-Related Education Program needs stability. States, which are devoting their formula grant funding, and local school and justice system personnel, who are devoting their time, must be assured that their activities will not be abandoned by the national effort and that the $2.2 million federal funding on which the plans in 25 States have been predicated will be made available through the Office of Juvenile Justice and Delinquency Prevention.

With a request for no juvenile justice appropriations in fiscal year 1987 by the Administration and a requested rescission pending, the Program needs the reassurance that the Congress will not abandon this effort. At a time when world events demonstrate each day the value of a citizenry knowledgeable in democratic principles and committed to the respect for law that is the basis for this country's enduring stability, the Program provides vital opportunities for our Nation's youth.

I respectfully request that the Committee act to ensure that the intended fiscal year 1986 appropriation be made available and that fiscal year 1987 funding of the Law-Related Education Program continue at the $2.2 million level. Funding the coordinated, national Law-Related Education Program, coordinated by those with the expertise necessary to ensure proper implementation, is investing in a law-abiding society and provides training for responsible members of society for our future. I urge your continued support and look forward to working with you and your staff in this year's appropriation process.

Sincerely yours,

T. Byron Collins S.J.

T. Byron Collins, S.J.

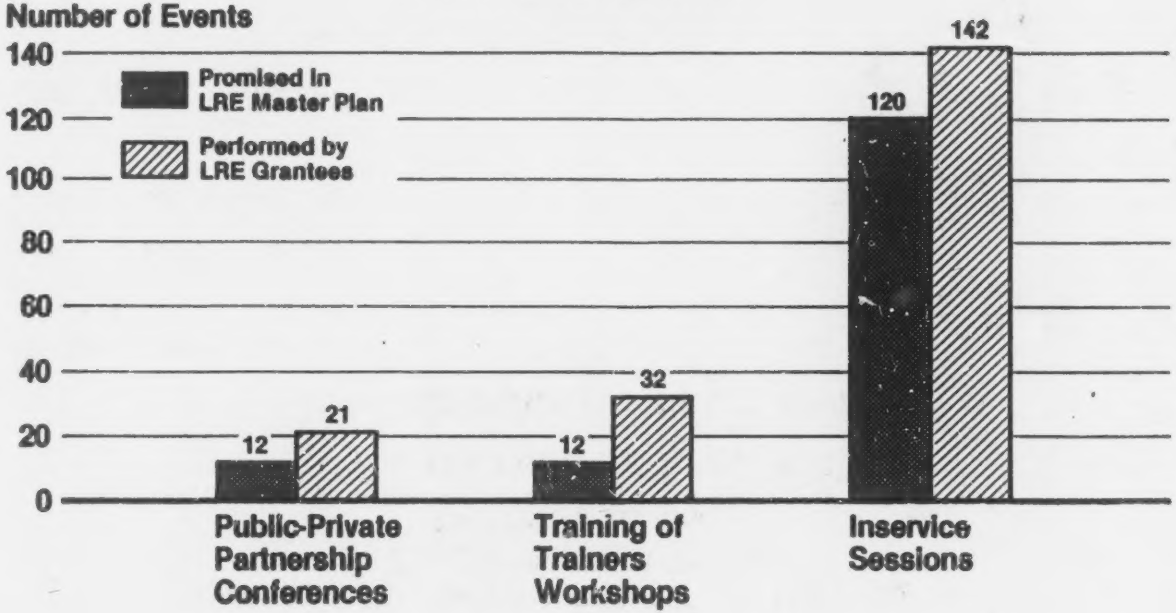
Enclosures

OJJDP/Law-Related Education Training and Dissemination Project

(1984 - 1985 Academic Year)

"Promise and Performance"

I. Events Conducted

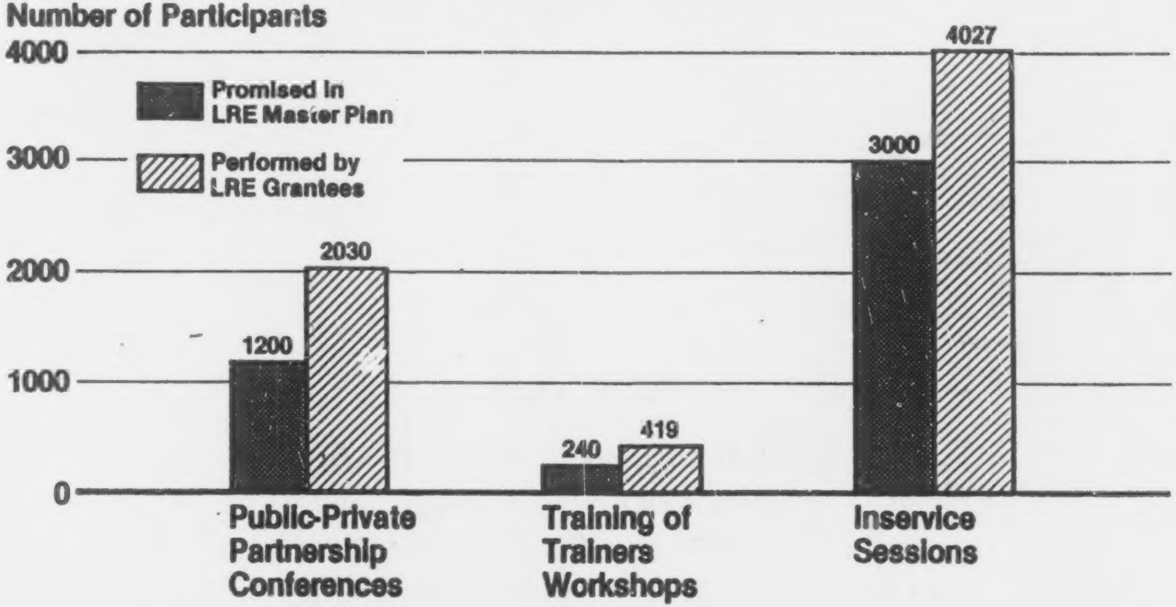


OJJDP/Law-Related Education Training and Dissemination Project

(1984 - 1985 Academic Year)

"Promise and Performance"

II. Participants Attending Events

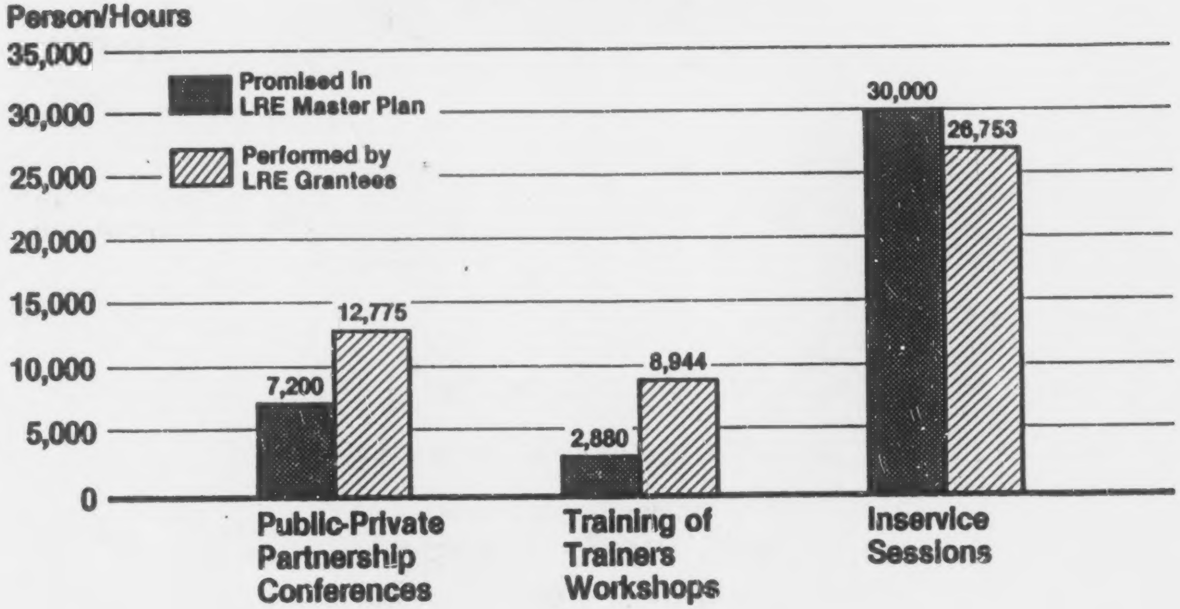


OJJDP/Law-Related Education Training and Dissemination Project

(1984 - 1985 Academic Year)

"Promise and Performance"

III. Hours of Training

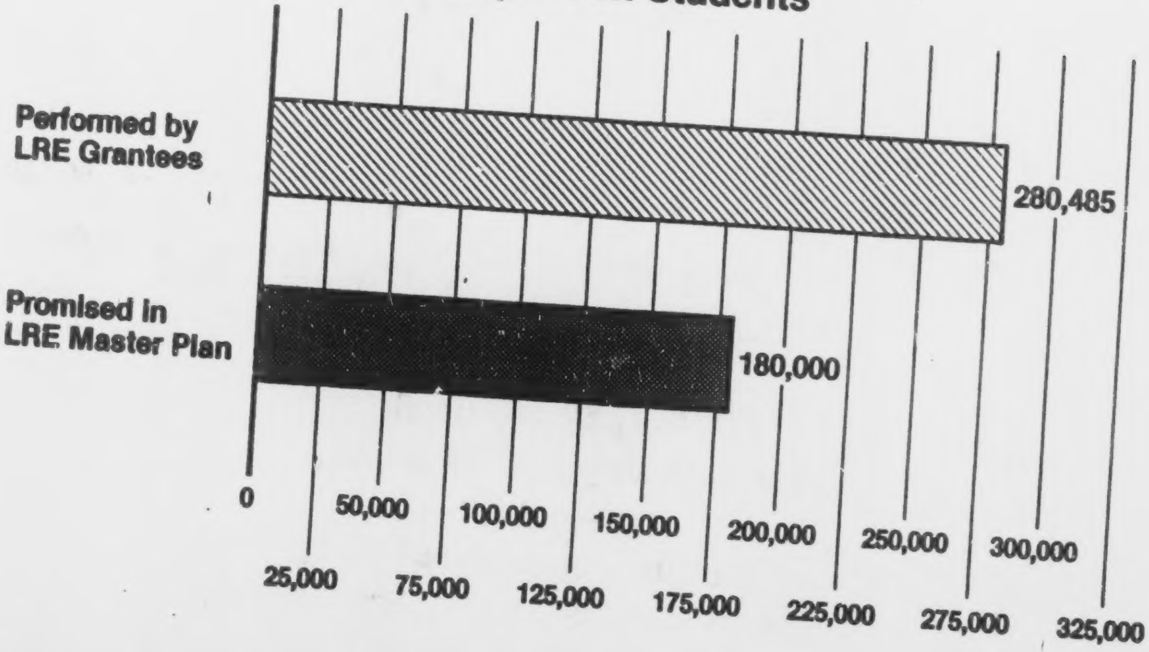


OJJDP/Law-Related Education Training and Dissemination Project

(1984 - 1985 Academic Year)

"Promise and Performance"

IV. Impact on Students



Father **Bradley**. We want to ask the Committee to encourage the USIA to continue to fund the ISEP program. We anticipate we will need $480,000 to continue the program during fiscal year 1987. That will fund a minimum of 800 exchanges.

Mr. **Smith**. How many did you have in 1986?

Father **Bradley**. I think the only way I have got it here is last year our administrative costs to the government were $819, out of the last fiscal year's budget. We anticipate that the cost to the government will be $690 in this year's budget, and we anticipate then in the future, the one we are asking for, will be $800 per student. I imagine $800 is $100 more than the current budget. I am sorry I don't have that exact number.

In the testimony we say that we have had 1,916 participants since 1979 when we started the program, and so if you take the whole program, the cost to the government per participant has been $1,200, and we anticipate that that $1,200 is $1,200 out of $20,000 that it costs to put a student abroad every year, so we think that this is the best bargain that you can find for putting people abroad. Seventy percent of our participant members are state universities. They come from 35 states, so there is no question about this being a program that helps only private universities.

Father **George**. In 1985, Mr. Chairman, it cost $844 for an exchange, which means two students, one abroad, one here, and in 1986 they expect it will be somewhere around $800, $819, so the costs are actually still going down, a rare phenomenon.

Mr. **Smith**. What about other law-related activities? I mean juvenile justice programs.

Father **George**. It is for the whole national program, Mr. Chairman, that we are asking for. It is the coordination of the national law-related education program that comes under juvenile justice. I would have to have Father Collins tell you exactly how many, but in the school year of 1984-1985; over 2,800 youngsters throughout the country participated with over 4,000 teachers from almost 200 school districts training. It is a large program, and very effective.

Mr. **Smith**. These exchange students go to mostly Third World countries or not?

Father **Bradley**. They say in the testimony 18 percent go to Third World countries. Last year 18 percent went to Third World countries, and we estimate that the average of American students that go to Third World countries is only 5 percent.

Mr. **Smith**. Is there any tendency to increase the participation of Third World countries, reduce or keep it stable?

Father **Bradley**. That has been one of our objectives from the beginning.

Mr. **Smith**. To increase it?

Father **Bradley**. To increase it. Now, remember in this program the parents are paying for their kids to go places, and parents aren't that excited about sending their kids to the Third World countries, but every year a little more, a little more.

Mr. **Smith**. Mr. Dwyer.

Mr. **Dwyer**. No questions. It is just nice to see Father Bradley and Father George again this year.

Father Bradley. I would like to answer that question of yours for the record.

Mr. **Smith.** All right. Thank you very much.

MONDAY, MARCH 3, 1986.

JAPAN-UNITED STATES FRIENDSHIP COMMISSION

WITNESS

VERNON ALDEN, PRESIDENT, THE JAPAN SOCIETY OF BOSTON

Mr. **Smith.** Vernon Alden. You may proceed.

Mr. **Alden.** Mr. Chairman, my name is Vernon Alden. I wish to thank you and our good Representatives from Massachusetts, Ed Boland and Joe Early, as well as my friend from Ohio days, Ralph Regula, for permitting me to testify on behalf of the Japan-United States Friendship Commission. I am president of the Japan Society of Boston and chairman of the Associated Japan-America Societies of the United States.

It was a statesmanlike act in 1975 when the Congress established the Japan-U.S. Friendship Commission. The Congress could have taken the money paid by Japan for the facilities on Okinawa as well as compensation for our post-World War II assistance and simply placed it back in the U.S. Treasury. Instead, enlightened congressional leaders saw the need to establish a fund that would create better understanding between the peoples of the United States and Japan. The goal was "to develop the knowledge, the leaders, and the friendly associations, which in turn would improve the likelihood that any problems that might arise on the national level could be resolved on a basis of mutual understanding and respect."

The commission has certainly fulfilled that objective; it seems to me that today we need that knowledge and understanding on both sides of the Pacific more than we ever have before.

I assume that other people will talk about the value of the Japan-U.S. Friendship Commission in education, the arts, in research, et cetera. Because of my background, I wish to talk about the very practical economic value to the United States of the efforts and funding of the commission. But first I should say a word about my background.

If you will pardon the personal references, I am describing them merely to demonstrate my knowledge and experience in trade relations and business matters. At the time I was on the faculty and associate dean of the Harvard Business School, I taught in the advanced management program at Keio University in Japan and helped to establish there the first graduate school of business in the late 1950s and early 1960s.

During the years I was president of Ohio University and later chairman of The Boston Company, I continued to expand and strengthen my friendship with business, academic, and government leaders in Japan as well as in the United States. In recent years, while serving on the boards of directors of such companies as Colgate-Palmolive, McGraw-Hill, and Digital Equipment Corporation, I have chaired the Foreign Business and the Business Development

Councils in Massachusetts. I have led trade missions to Japan, hoping to increase export sales not only from the Commonwealth of Massachusetts but from our entire country.

With this background in mind, I wish to tell you briefly how funding from the Japan-U.S. Friendship Commission is improving the ability of U.S. businessmen to compete with the Japanese and to sell goods effectively in Japan. As you know, the Commission provides financial grants to many of the Japan-America Societies located in 20 major cities of the United States from coast to coast. These societies comprise thousands of individual members as well as several hundred leading U.S. corporations.

The Japan-America Societies in turn reach out to hundreds of thousands of other citizens in each metropolitan locality. As I mentioned at the beginning, I serve as chairman of the national association and as president of the Boston Japan Society.

I shall describe the specific activities that the Boston Society has been able to undertake as a result of funding from the Japan-U.S. Friendship Commission. We have 1200 members and 130 corporate associates. We provide monthly programs for our corporate members on such topics as negotiating contracts with the Japanese, Japanese personnel practices, quality control, artificial intelligence, Japanese developments in robots and in ceramics, venture capital in Japan, and so on. We also provide, through commission funding, a so-called "hot line" enabling businessmen all over Massachusetts to telephone in questions, obtain information, and get specific help from our staff experts on Japan.

I can provide examples of how several Massachusetts companies have improved their ability to enter and compete in Japan as a result of our programs, our advice, and our involvement.

There have been problems with Japan in past years as a result of closed markets. Thanks to the efforts of our trade negotiators and the leadership of Prime Minister Nakasone, those barriers are rapidly diminishing. What we need to do is to improve our own ability to sell to the Japanese market. We must pay more attention to quality, to adapting our products to the needs and tastes of customers overseas, to view those markets from a long-term perspective, to avoid rotating U.S. managers in and out of overseas companies, and specifically to behave in Japan like a Japanese company.

In short, many more United States companies must prepare themselves to enter Japan, doing the same level and quality of homework as those U.S. companies that are eminently successful in Japan.

Through its funding, the Japan-U.S. Friendship Commission is enabling Japan societies to provide education and expertise to many companies across the country, especially those mid-size and smaller business firms that do not have international experience. For this reason alone, the Commission deserves continuing support. I am sure you have heard form others about the value of their support in education, in the arts, and in individual research activity.

I expect to return next year and the years ahead to plead that the Japan Societies through the U.S. Friendship Commission continue to be supported. Thank you very much.

Mr. SMITH. These societies, do you think a three-year grant is sufficient to get it started? Should they then be on their own?

Mr. **Alden**. We have a good start, but we need to continue to have some base support for the Friendship Commission. Using Boston again as an example, we have expanded our corporate support. We started, when we first got the grants, with about four or five members. Now we have 130 corporate members. However, there still is a gap of some $40,000 to $50,000 a year that we must meet through funding efforts.

We are going to various foundations, we are going to Japanese companies, but I anticipate that we will continue to need Japan-U.S. Friendship Commission support for specific projects in the years ahead, such as the hot-line project that I talked to you about a moment ago.

Mr. **Smith**. But not necessarily an annual stipend?

Mr. **Alden**. Well, I think that we need to have annual support, particularly in those societies that are less well developed than ours is. We need the money, but the struggling societies in other parts of the country need them very badly.

Mr. **Smith**. Mr. Dwyer.

Mr. **Dwyer**. No questions.

Mr. **Smith**. Thank you very much.

Mr. **Alden**. Thank you, sir.

Monday, March 3, 1986.

JAPAN-U.S. FRIENDSHIP COMMISSION

WITNESS

DAVID BOWEN

Mr. **Whitten**. Mr. Chairman, may I say a word?

Our friend and colleague, David Bowen, needs no introduction here. He has an excellent record in the Congress. He is now an instructor at Mississippi State Unversity. I came up with him just because I wanted to be with him.

Mr. **Smith**. I might say I was in Mississippi one time during the campaign and his opponent came up to me in a restaurant and told me all about him.

Mr. **Whitten**. I believe this is introduction enough, Mr. Chairman.

Mr. **Bowen**. Mr. Chairman, it is certainly a pleasure to be with you today and I appreciate the opportunity to testify before the Subcommittee. You are doing an outstanding job of leadership here in the House, this Subcommittee, and, of course, Chairman Whitten, I must say, is doing an outstanding job in the leadership of the full Committee.

He has become a legend in his own time down in Mississippi. Just the other day I was talking to a fellow who asked me how he was doing and he said this man allowed as he had voted for Jamie, he said, every time he had ever run. This gentleman talked about how faithful he was. I asked him where he was from and he told me it was a small community about 15 miles from the nearest border of the Chairman's district, but he indicated he sure had voted for him every time.

I told him to keep getting those voters out; he might have an opponent this year and be sure he had all of them back out this year. He needed everyone he could get.

Speaking of my State, Mississippi, I suppose it is somewhat understandable that an agricultural State such as ours might be a bit more favorably disposed toward Japan than perhaps some parts of the country since Japan is such an outstanding customer for our agricultural production.

Of course, these last few years they have bought about two and-a-half times as much from the United States in terms of agricultural exports as any other nation on earth.

They are currently running at about a fifth of all of our agricultural exports and in either one or both of the last two years they have been our number one customer for corn and feed grains, for the cotton, for soy beans, for wheat, for beef, and citrus, for pork and poultry and a long list of other commodities.

Now, mind you, Mr. Chairman, I would like to see them buy a good deal more still agriculturally. My ten years here in the House on the Agricultural Committee and four years of it on the Foreign Affairs Committee, I certainly worked hard as I know you have and Members of the Appropriations Committee to try to see that the Japanese buy yet more in the way of agricultural productions and, of course, I would like to see them buy more of our industrial production.

I would like to see Americans do a better job of penetrating the Japanese market and I would like to see us do a better job of negotiating with the Japanese to reduce some of those trade barriers. In fact, I would also especially like to see Americans better trained and better qualified to communicate with the Japanese, to do business with the Japanese both here in this market as well as over there and because I am concerned about matters such as that I am especially impressed with the work that is being done by the U.S. Japanese Friendship Commission.

I have had a chance to work with the Commission on a couple of projects. One of them was a conference held in January of this year in New York on the subject of Japan/U.S. agricultural trade.

It was a round table discussion on that subject involving a group of Japanese and American experts. It is a part of a national series on the Japan/U.S. economic agenda.

The conference that I was involved in explored ways that we might more effectively expand our agricultural exports to Japan, looked at those areas where we had prospects for doing more business, better business and areas where we probably could not but I found it a very constructive two-day conference; and then the other project that I am familiar with that is funded by the Commission is a grant to Mississippi State University where the Chairman mentioned that I am now teaching, to a unit within that university.

Mississippi State, as you probably know, is our land grant institution, but a grant to the Center for International and Strategic Studies to hold a conference later this year on the subject of U.S./Japan trade, for example, and security cooperation and the purpose of that conference is to look at some of the geopolitical and military consequences of the trade problems we are currently having with Japan and to look at the impact upon our relationship with the Soviet Union and the general security situation in the Pacific Basin.

So I happen to have been impressed with the kind of work that the staff of that Commission has done on the management of these grants. They seem to me to have exercised a rather tight-fisted and frugal approach toward the handling of the funds entrusted to their care and I think they have done an excellent job.

As I say, my personal familiarity has been with those two projects.

Now, I will have to say, Mr. Chairman, that I am not personally really fond of the title of the Commission. I could think of one or two better ones than that.

It is perhaps a little bit misleading but I suppose I voted for the enabling legislation back in 1975, as most of us did, and I probably from my personal point of view would rather see the Commission do a bit more in the area of economic business, military, political things and perhaps a tad less in the area of cultural exchange but then based on my conversation with Commission staff that is precisely the direction they are moving.

I gather that that is the sentiment of this subcommittee, that they might well afford to devote more time in this area and perhaps a bit less in the cultural area, although the cultural field is very clearly spelled out in the enabling legislation as one of the fields of responsibility.

Mr. SMITH. Your experience is more with the conference rather than with the local societies.

Mr. BOWEN. Precisely. Precisely. My experience is with, in particular, two conferences that the Commission is funding, the one to my university is funded on a 50/50 matching basis and will involve a series of Japanese and American political and military experts later this year.

I happen to think that is a valid, valuable area for the Commission to go. So my personal conclusion, Mr. Chairman, is that if the members of this subcommittee are concerned about the growing trade deficit with Japan, if you are concerned about the loss of jobs in this country to Japanese products and imports, if you would like to see Americans do a better job of competing here with Japanese products, if you would like to see us do a better job of penetrating the Japanese market undergoing Japanese business practices and social customs better able to speak the language so that we can do that, if in short, the subcommittee believes that it is desirable for Americans to understand and communicate more effectively with the second greatest economic power on earth, then I sincerely hope that you would see fit to authorize the full utilization of the funds that have been set forth for the Commission.

So I am impressed with the Commission. I think they are doing an excellent job.

I am not an expert on the general overall planning of the Commission, but from what I have seen, it is well worth the money that is going into it and I certainly hope that the subcommittee will see fit to allow them to use the full amount that has been set forth for that purpose.

Thank you, Mr. Chairman.

Mr. SMITH. Mr. Dwyer?

Mr. DWYER. No questions. Thank you.

Mr. SMITH. Thank you very much.

Mr. BOWEN. Thank you very much, Mr. Chairman.

MONDAY, MARCH 3, 1986.

AMERICAN ASSOCIATION OF NURSERYMEN RE: CENSUS BUREAU

WITNESS

BENJAMIN BOLUSKY

Mr. SMITH. Benjamin C. Bolusky, American Association of Nurserymen.

Mr. BOLUSKY. Thank you, Mr. Chairman.

I am Benjamin Bolusky, Director of Government. Dr. David Hamilton, Director of our Technical Services, formerly instructor of horticulture at Purdue University, was to have appeared before you this morning. However, he has been necessarily detained and I appreciate the opportunity to be here.

As I am here today to testify in favor of continued funding for the Horticultural Specialty Census, it may be useful to elaborate on the make up of our organization and the industry.

The American Association of Nurserymen repesents over 3,400 firms in the nursery industry, including growers, landscape companies, garden centers and mail order firms. By almost any standard, our firms are primarily small family-owned farming businesses. We estimate that there are some 36,000 firms in all aspects of our industry in the country, of which at least half are involved in commercial production of nursery crops. Out 3,400 plus are the largest of the "smalls". This leads me into the first reason for why we find the census so valuable, but before I begin that discussion, allow me to say something about the budget process.

Our members strongly support efforts to cut the Federal deficit. We have long been vocal and persistent advocates of a control on federal spending. We are prepared in this current round of budget cuts to step to the front of the line and take our fair share.

Traditionally, we have not looked to the Government for handouts. At the same time, however, we recognize that our Federal Government is an amalgamation of many small but vital programs, which fill needs which cannot be met by the private sector. The Horticultural Specialities Census is one such program.

The Census program costs only approximately $100,000, which in the current budget discussion is the type of line item which is often lost in just rounding off budget estimates.

As much as we would like to see it expanded, on principle we would not ask for an increase in the budget for H.S.C., but neither can we support the total elimination of the program. Consistent with our overall budget position, we are calling for a freeze on all programs. We are looking closely at all programs of interest to us and it is only after considerable thought that we have selected those programs we feel simply cannot be lost in the budgetary shuffle. This, we feel, is one such program.

As I noted, we are an industry of family-owned small businesses. We are proud of our contribution to the environmental well-being of our Nation. We also make a substantial contribution to the American economy.

The Horticultural Specialty Census collects data on the grower portion of our economy. We estimate that approximately 5,350 commercial growers, with $10,000 or more in sales, produced crops with a value of $2 billion in 1983.

More importantly, we make two other contributions to economy. First, we are a labor intensive industry providing many new jobs each year. Second, we are an access industry. In comparison to many other industries, it is easy for an individual with the entrepreneurial urge to start a nursery.

Is is quite another thing to make a sustained "go" of it, but the opportunity is there. The result is we have a fluid economic profile, characterized by growth. AAN was formed over 100 years ago, and new entries into the industry have been on a steady up-hill curve ever since.

This is where the H.S.C. comes into play. The H.S.C. is a measure of commercial activity. The General Agriculture Census collects data on "any place from which $1,000 or more of agricultural products were sold or normally would have been sold during the year".

As a result, the general census picks up many farms which are not commercial nursery growers and conduct such activities incidental to their regular agricultural production. The H.S.C. defines a horticultural establishment as an operation growing and selling $2,000 or more of horticultural products in a year.

The difference is significant in understanding the growth of the industry and more importantly the needs of its firms. Horticulture, especially nursery production, is generating new businesses, new jobs, increased use of products and overall very positive economic activity. The opportunities for continued growth of family-owned and operated horticultural farms are increasing. Reliable benchmark data is desirable to understand what is going on within the industry and what is likely to happen. The best data on commercial nursery production has been gathered through the H.S.C.

The H.S.C. also produces data on a variety of special crops and more detailed information on production than found in the General Agricultural Census. The changes in crop production (e.g., woody nursery crops, foliage plants, florists' crops, bedding plants, greenhouse vegetable crops, mushrooms, bulbs, turf and so forth) provide valuable information for understanding the nature and extent of production expenses, channels of distribution, consumer demand and employment needs for making planning decisions based on such trends.

Our industry relies on this data to project educational and management needs. The data collected by the Census is not available elsewhere and, frankly, we believe it would be impossible for these specialized horticultural industries to collect this data on a uniform basis. Our suppliers of products and services, including the banks, need the data from this specialized census to make their decisions on serving our members.

The nursery industry further relies on census data to demonstrate the need for development of products such as pesticides and equipment. Currently, because registration for nursery uses is secondary, the nursery industry does not have enough new pesticides to meet their needs, but chemical manufacturers have indicated they would be more willing to register new compounds if they knew the market. The H.S.C. plays a necessary role in ensuring availability of industry size and market potential.

The census also provides equipment manufacturers with market information for development of new machinery for the nursery industry. Historically, our industry has been more labor intensive than it should be, but through market information available through H.S.C. equipment has been modified for nursery use.

We think the response rate is striking evidence of the industry's assessment of the need for this program. The response rate is nearly 90 percent. We are told this is among the highest rates for any part of the census. The industry does not consider the H.S.C. a burden, but a valuable economic planning tool.

In summary, Mr. Chairman, we can say that this is not a collection of numbers which sit on the shelf collecting dust. They make a valuable contribution to an industry which is dynamic, and a vital segment of our economy. In the past we have done all we can to cooperate in this endeavor and we will increase our efforts.

As I noted at the outset, we are concerned about the Federal deficit. We ask the Congress to hold the line on expenses, but not eliminate a program which serves an essential purpose in a cost efficient, effective manner. Thank you for this opportunity to present our views.

Mr. SMITH. Are you saying a local nursery operator actually gets a copy of the census and looks at it?

Mr. BOLUNSKY. I would be able to get back to you with the information on that.

I know that the census takes a poll of over 5,000 wholesale nursery growers and we also—we being the nurseryman—publish every five years another survery based upon that data provided by the Government and we make it available to our members.

Mr. SMITH. Well, now, do I interpret that answer to be that the association uses it to develop material which is in turn distributed to nurserymen?

Mr. BOLUSKY. That is correct.

Now, whether the firms that actually respond to the horticultural specialty census actually get a copy of that, that I am not sure.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. No questions.

Mr. SMITH. Thank you very much.

MONDAY, MARCH 3, 1986.

JAPAN-U.S. FRIENDSHIP COMMISSION

WITNESS

JEFFREY ARPAN, PROFESSOR AND PROGRAM DIRECTOR OF INTERNATIONAL BUSINESS, COLLEGE OF BUSINESS ADMINISTRATION, UNIVERSITY OF SOUTH CAROLINA

Mr. SMITH. Dr. Arpan.

Mr. ARPAN. Mr. Chairman, I am Professor Jeffrey Arpan from the University of South Carolina, Director of International Business Programs.

My specific purpose today is to voice my support for full funding of the Japan-U.S. Friendship Commission. However, my broader purpose is voice my support for any and all efforts designated to improve the American business community's ability to successfully compete at home and abroad in an increasingly interconnected world.

At the outset, let me first summarize my background and biases. My professional academic training is in the fields of international business and economics. For more than 15 years I have been teaching, doing research, and conducting seminars and conferences on a wide variety of international business topics, but my main concentrations have been in international management and strategy, the international competitiveness of American industry and geographically Japan and other East Asian nations.

Philosophically, I believe in the global and national benefits of both free trade and the free movement of capital. Realistically, however, I recognize that these have never existed, nor are they likely to exist in the future.

As a result, I believe that "fair trade" is a more realistic goal toward which to strive. Further, I recognize and accept that fact that there are times when any nation, including the U.S., may need to depart from this goal for reasons of national security, defense or temporary economic difficulties. At the same time, as a quasi-student of economic history, I am also convinced that protectionism is generally a self-defeating solution to problems caused by international trade. In other words, fair trade is generally positive sum game, while protectionism is generally a negative sum game.

Finally, I am currently the director of International Business Programs at the University of South Carolina, including its unique Master of International Business' Studies program, the largest international business program at the graduate level in a U.S. business school accredited by the American Assembly of Collegiate Schools of Business and considered one of the top two graduate international business programs and faculties in the United States.

In our MIBS program every year we send more than 100 American business students to live and work as interns in companies in foreign countries for at least six months after developing a proficiency in at least one foreign language, taking 18 courses in business and is international dimensions and learning about the culture, political systems and geography of a particular region of the world.

With this background information in mind, let me proceed to share my views on the growing U.S.-Japan trade frictions and the value of the Japan-U.S. Friendship Commission.

There are many reasons for the widening trade imbalance between the United States and Japan: the undervalued yen, Japanese trade barriers and other myriad forms of government intervention in the Japanese economy, comparatively greater consumer loyalty in Japan, and certain labor and capital cost advantages for Japanese firms, to name a few.

These are real and must be dealt with both separately and collectively. However, in my personal and professional judgment, the United States would still have a trade deficit with Japan even if these conditions, many of which are in fact unfair, did not exist.

The main underlying reason for this assessment is the striking imbalance between Japan's knowledge of the United States versus our knowledge of Japan. This knowledge disparity includes knowledge of language, customs, culture, politics, history, and a plethora of business practices.

Stated simply, the Japanese know a great deal more about us than we do about them, they are better able to communicate with us than we are with them, and they use these advantages effectively to penetrate our markets better than we can theirs.

Far too many U.S. made products remain unsuitable for Japanese markets—i.e. insufficiently adapted—yet we still try to sell them there anyway. A paltry percentage of the U.S. business community has any knowledge of the Japanese language, culture, history or business practices, but we still send them there every month to try to do business, relying on the Japanese to understand us.

These problems are by no means unique to the U.S.-Japan situation; they apply to our international business relations with virtually all other countries. The only issue is one of the degree of knowledge disparity.

Through our MIBS program's Japanese specialization we are striving to diminish this disparity. All students must complete a rigorous, intensive and very physically and mentally demanding 36 month program including more than 1000 hours of formal classroom instruction in Japanese language, studying for two semesters at Japanese universities, and working in companies in Japan for seven months—all in addition to a heavily internationalized MBA curriculum.

In total, they spend 18 to 21 months in Japan out of the 36 month long program. The students' direct cost of this program exceeds $26,000, plus a significant opportunity cost approximating $33,000 due to the additional year required for the Japanese specialization when they could have otherwise obtained employment.

In addition, typically 20 percent of those who start the program do not finish, representing another type of opportunity cost.

To be honest, we are not inundated with applications for the MIBS program's Japanese specialization compared to our other language specializations. Of the more than 1,000 applications we received last year, only 4 percent selected Japanese, and we only accepted 30 percent of those who applied.

Of the nearly 40 students who have applied so far this year, virtually all have requested financial aid. Therefore, it is clear that financial considerations figure prominently in applicant's decisions, and without student financial support from USC, the business community and the Japan-US Friendship Commission, fewer would apply and fewer would be able to complete the program. On the other hand, while our Japanese specialization is only four years old, our graduates have been swamped with offers, and 100 percent have been placed—a clear indication of the high market value attributable to their specialization.

There is no question in my mind that our applicant pool and program completion rate would be significantly greater if more financial aid was available for our students, and those at other institutions. There is also no doubt in my mind that there is a critical U.S. need for more programs such as ours.

Furthermore, any and all programs which enhance Americans' ability to understand and deal effectively with the Japanese are needed. The activities sponsored by the Japan-U.S. Friendship Commission, while lauditory, in and of themselves, are woefully inadequate in number and scope to have major impact in this respect.

Their programs, and in fact all current programs combined, are but a drop in the proverbial bucket. Our country must realize that to compete, work effectively and to live peacefully with other nations, we must abandon our history of, and predilection to, isolationist principles, ethnocentric philosophies, and monolinguistic abilities.

But realization is not sufficient. We must make a real commitment to overcoming our own shortcomings and deficiencies, and back this commitment with the necessary funding to achieve what we need to accomplish. Therefore, rather than a partial appropriation of funds for the Commission's programs, 100 percent appropriation is essential and additional funds should be appropriated especially for business school programs designed to increase American international competitiveness.

Cutting back or simply maintaining existing appropriation levels essentially results only in shooting ourselves in the foot. And, to deal effectively with or against the Japanese, it is up to us to put ourselves on better footing, not worse footing,

With these thoughts expressed, I would also like to express my appreciation for this opportunity to appear before the committee and state that I am ready and willing to answer any questions you may have.

Mr. SMITH. Well, if a hundred percent, as you said, of these students of Japanese specialization—why aren't more in the program?

Mr. ARPAN. I think it is a cash flow situation, Mr. Chairman. They are looking at an up-front investment of around $26,000 before they can get that job. And as you know, many of the funding of the guaranteed student loan programs and other financial assistance programs have been cut back, and these students are self-supporting; even though they may have a $40,000 job at the end of the pipeline, they have to get through the pipeline first.

Mr. SMITH. Why do they take as an alternative, then, to specialization in Japanese?

Mr. ARPAN. They could take French, German, Spanish, Portuguese.

Mr. SMITH. Don't they have to have an up-front investment there too?

Mr. ARPAN. It is not as much. Those are two-year programs and the additional living costs in Japan are considerably higher than those in the Latin American countries or Western Europe.

Mr. SMITH. What would be the difference in dollars?

Mr. ARPAN. Probably about $15,000.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. Is there a possibility that American corporations might have some interest in sending some students into this type of master's program? Has that been tried?

Mr. ARPAN. Corporate sponsorship is definitely an option. However, for most U.S. companies a three-year investment in someone who is already employed by the company is considered long as opposed to having a student get it on his own first and then be hired by the company. But we do have a number of corporate-sponsored students in the program, but none in the Japanese program. I think that three-year period is the tough part. Also, for someone already in business, much of our program is not as useful as someone who has not yet been in business.

Mr. DWYER. Thank you. Thank you, Mr. Chairman.

Mr. SMITH. Thank you very much.

MONDAY, MARCH 3, 1986.

JAPAN-U.S. FRIENDSHIP COMMISSION

WITNESS

U. ALEXIS JOHNSON, FORMER U.S. AMBASSADOR TO JAPAN

Mr. SMITH. Former Ambassador Johnson.

Mr. JOHNSON. Good morning, Mr. Chairman.

Mr. SMITH. Good morning.

Mr. JOHNSON. I have a fairly brief statement. I will read it, if I may.

Mr. SMITH. All right.

Mr. JOHNSON. Then I will answer any questions that I can.

Mr. Chairman, I appreciate this opportunity to appear before this committee to support the restoration of normal funding of the Japan-United States Friendship Commission. I was astonished that last year, in an action that had no effect on the U.S. Government budget, the commission was denied the right to spend 50 percent of the interest on its dollar trust fund.

My own interest in the subject of our relations with Japan goes back to 1935 when as a newly appointed Foreign Service officer I was assigned to Tokyo and then subsequently as Vice Consul to Seoul, Korea, which was then a Japanese colony, and then to North China and Manchuria to deal with the Japanese Army, which you will recall, was invading those territories at that time.

In 1941, in December, I was imprisoned in Manchuria. Subsequently I was exchanged, and then in early 1945 accompanied our forces as they occupied the Philippines and at the surrender of Japan was assigned to General MacArthur's headquarters and then became Consul General for Japan until 1949.

I was a member of our delegation to the Japanese Peace Treaty Conference in 1951, and while ambassador to Japan from 1966 to 1969 and then Under Secretary of State in 1973 I was deeply involved in the negotiations that led to the reversion of Okinawa and the accompanying financial settlement that led to the payment by Japan of the sums that a farsighted Senator Javits and his colleagues in part used to establish a trust fund for the support of a Japan-United States Friendship Commission, which was established by legislation at that time. After my retirement in 1977, I became President of the Japan-America Society of Washington, D.C., until 1983, and then the first president of the Associated Japan-America Society of the United States.

I cite this background in some detail simply to illustrate why I do not have any romantic illusions about Japan. I have seen them in all their manifestations throughout their recent history. However, I do have great respect for what Japan has accomplished since August 15, 1945 and fundamentally believe that peace in the Pacific, and accordingly in the world, depends on how our two countries manage our relations. If we are going to play our part in this it is of fundamental importance that our people make rational judgments based upon the best available information that can be furnished.

Many of our popular attitudes toward Japan seem to be formed on the thesis that international trade is somehow a form of warfare, in which one side wins and the other loses. Thus, because we buy more from Japan than Japan buys from us, Japan is "winning" and we are "losing." This outmoded merchantilist thinking ignores the fact that our low rate of personal saving—about 4 percent or less as compared with 14 percent in Japan—has been insufficient to finance our government deficit and capital expenditures, thus raising our interest rates above world levels and attracting funds from abroad, including from Japan.

The flow of dollars from Japan has not only gone into increased investment and employment of Americans in this country, but also into buying U.S. Government securities, thus materially assisting in financing our budget deficit, with the encouragement, I might say, of our Treasury Department.

As far as so-called barriers are concerned, there is little to choose between our two countries. For example, as does Japan, we have quotas on beef, citrus fruits—through marketing orders—dairy products, and until 1985 on motor vehicles. We also have quotas on textiles, clothing, iron and steel, ships, footwear, radios, TVs and sugar.

While reaching the largest market for our giant agricultural industry, Japan also buys from us more manufactured goods than does West Germany. Paradoxically, we have a law that prohibits Japan from buying oil from Alaska although the economics of such trade for both countries are very evident.

Nevertheless, It must be recognized that there are difficulties beyond the policies of our respective government for Americans seeking to do business in and with Japan. Some are of our own making. For example, the minuscule number of American businessmen who can speak, much less read and write, Japanese, as compared with the thousands of Japanese businessmen in the United States capable and anxious to do business in English.

Another difficulty is that Japanese are happy to be Japanese, and no amount of exhortation on our part is going to cause them to abandon their homogenous and ordered society and business practices for the heterogenous intricacies of the American system. Nor is the Japanese consumer going to be attracted by sales appeals pitched to an American audience. Thus "to do business in and with Japan" is going to require a very much larger number of Americans that is presently the case, with a real understanding of the language and society of Japan.

It is this need that our Japan-America Society—and other similar societies and organizations to which the Friendship Commission has been contributing support—has in their own small way been seeking to meet by various programs tailored to the needs of American business and individuals through language training, meetings with Japanese businessmen and leaders, symposia on science and technology, providing orientation courses for specific individuals and companies, meetings with congressional leaders, clipping and translation service from the Japanese press, and so on.

Thus a reduction in the funding of the Japan-United States Friendship Commission immediately and directly impinges on the ability of the United States to compete with Japan.

That is the end of my statement Mr. Chairman.

Mr. SMITH. Thank you very much. There is much to what you say. I have to correct one thing, though. This does have an impact on both new obligational authority and outlays.

Mr. JOHNSON. I see. But it doesn't—well, as I say, though, if the money is not spent it stays in the trust fund.

Mr. SMITH. That is true, but we have got a lot of programs that are that way. The way we count obligation authority and outlays; it is both.

Mr. JOHNSON. I stand corrected on that.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. No questions.

Mr. SMITH. Thank you very much.

MONDAY, MARCH 3, 1986.

JAPAN-U.S. FRIENDSHIP COMMISSION

WITNESS

GARY R. SAXONHOUSE, PROFESSOR OF ECONOMICS, UNIVERSITY OF MICHIGAN, ANN ARBOR, MICHIGAN

Mr. SMITH. Dr. Saxonhouse.

Mr. SAXONHOUSE. Mr. Chairman, I am pleased you have allowed me to testify before you today on the important proposition now being considered by your subcommittee. As this subcommittee knows well, this country's economic relations with Japan now have a profound influence on the structure and operation of the American economy. It is almost obligatory in hearings of this kind to point out that we are Japan's largest trading partner and that after Canada, Japan is our largest trading partner. This has, however, been true for much of the post-war period and it does not fully convey the profound changes in and the greatly increased importance that this relationship has taken on in recent years.

Trade is very important. It is more important than every. But in a development that is hardly more than a few years old, Japan now is an extraordinary source of finance for the U.S., and Japan and the United States now invest heavily in each other's economies, transferring not only capital and management skills, but also important technologies.

The growth in the older strands of our relationship, together with these many profound new developments have created an economic intimacy unthinkable even a generation ago. Suddenly, what the Japanese Ministry of Finance in Tokyo decides to do about the terms of residential mortgages in Japan has a direct impact on the price of corn in Iowa. The fate of the American semiconductor industry may be shaped by the character of the revision of property taxes in places in Japan like Okayama and Sendai.

It would take a severe case of myopia not to recognize that this intimacy has been a double-edged sword. I come from a region of the country where the landscape has been transformed by competition from Japan. In the same way that stiff textile competition from the American South helped transform Eastern Massachusetts into the high-technology mecca that it is today, so Japanese competition is forcing, probably at a faster pace than some would like, vast improvements in the economy of the industrial Midwest.

The importance of Japan for the United States is not lost on students at the University of Michigan where I teach. The undergraduate course I offer on the Japanese economy with almost 200 students has the highest enrollments of any undergraduate economic course at the University of Michigan.

Unhappily, this case is exceptional. The capacity of American universities and colleges to train students about the economy of Japan is extremely limited. Despite American government officials, American bankers and businessmen regularly confronting across the negotiating table Japanese counterparts who are fluent in English and experts on the American economy by dint of long years of study and residence abroad, the number of Americans who have studied and worked long enough to know a great deal about the Japanese economy remains extremely small.

I want to emphasize to you today that the increase in such Japanese economy fluent Americans would be virtually zero, incredible as that may seem, were it not for the extremely important work of the Japan-United States Friendship Commission. Between 1961 and 1979, despite Japan's great significance, American universities produced no more than four doctoral-level American economists specializing on Japan. This despite tens of millions spent on Japanese studies at American universities by the American government and by the Ford Foundation.

In the fall of 1977 the Friendship Commission, recognizing the particular difficulties faced in recruiting good graduate students to study both the specialized language of economics and the particularly demanding Japanese language, helped form the Committee on Japanese Economic Studies which I now chair.

This initiative, by the Friendship Commission, which met a particular problem not appreciated by earlier funding agencies, has been highly successful. In the past seven years since the program began, 38 fellowships have been awarded. Despite the long training period, 18 Ph.D. economists specializing on Japan have already been produced with another 17 still in varying stages of completion.

I want to emphasize this enormous increase in trained specialists on the Japanese economy has been achieved by the Friendship Commission and the Committee on Japanese Economic Studies working together, with a modest but critical expenditure, without large bureaucracy and by stressing 50 percent-50 percent cost-sharing with any institution receiving a fellowship grant. During the past seven years fellowship winners have successfully enrolled at no less than 17 American universities. I will spare you enumerating them. They are in the prepared statement and I assume they will be in the record.

Understandably, there is great demand for the students coming out of this fellowship program. Indeed, the gap between supply and demand is greater than when the program started. Indeed, when the program started, the filling of a largely academic demand was anticipated. In fact, in the last seven years here has been an explosion in non-academic demand for specialists on the Japanese economy.

Our graduates are getting just the kinds of placements we had hoped for. Our graduates are lecturing on Japan at distinguished universities throughout the world. They are writing books on Japanese economic policymaking at well-known think tanks on both coasts. They are providing information and guidance to the heads of international agencies and cabinet departments. They are serving in congressional fofices and on the strategic planning staffs of the largest American corporations.

Frankly speaking, there is no area studies-related fellowship program that has been anywhere near as successful as this Friendship Commission sponsored activity in turning fellowship recipients into PH.D.'s and then successfully placing these PH.D.'s in spots where their critical talents can be utilized. Positions which our recent graduates hold include:

Staff Economist, Council of Economic Advisers.

Staff Economist, Working Group on Japanese Capital Liberalization, U.S. Treasury.

Nissan Lecturer on the Japanese Economy, Oxford University.

Senior Staff Economist, Rand Corporation.

Research Associate, Brookings Institution.

I could go on and on. The rest of the positions are in my handout and they, I assume, will be in the record.

I want to emphasize that despite the evident need for a program such as I have described here it did not come into existence without the vision and leadership of the Friendship Commission. This same leadership remains critical to its continued existence. I am proud to be associated with the Friendship Commission in its activities. At a time of critical urgency in U.S.-Japanese economic relations, in the educational and cultural area, the Friendship Commission is providing absolutely vital support. This is a time when we need more well informed and unbiased analysis about what is happening in Japan. This does not come without trained specialists. The Friendship Commission is a unique force in the United States in seeing that this training actually takes place.

Thank you.

[The statement of Mr. Saxonhouse follows:]

Statement of

Gary R. Saxonhouse

Professor of Economics
University of Michigan
Ann Arbor, Michigan

and

Chair, Committee on Japanese Economic Studies

before

House Committee on Appropriations
Subcommittee on Commerce, Justice
State and Judiciary

March 3, 1986

Mr. Chairman, I am pleased that you have allowed me to testify before you on the important appropriation now being considered by your Sub-Committee.

As this Sub-Committee knows well, this country's economic relations with Japan now have a profound influence on the structure and operation of the American economy. It is almost obligatory in hearings of this kind to point out that we are Japan's largest trading partner and that after Canada, Japan is our largest trading partner. This, however, has been true for much of the post-war period and it does not fully convey the profound changes in and the greatly increased importance that this relationship has taken on in recent years. Trade is very important. It is more important than ever. But in a development that is hardly more than a few years old, Japan now is an extraordinary source of finance for the U.S., and Japan and the United States now invest heavily in each other's economies, transferring not only capital and management skills, but also important technologies.

The growth in the older strands of our relationship, together with these many profound new developments have created an economic intimacy unthinkable even a generation ago. Suddenly, what the Japanese Ministry of Finance in Tokyo decides to do about the terms of residential mortgages in Japan has a direct impact on the price of corn in Iowa. The fate of the American semi-conductor industry may be shaped by the character of the revision of property taxes in places in Japan like Okayama and Sendai.

It would take a severe case of myopia not to recognize that this intimacy has been a double-edged sword. I come from a region of the country where the landscape has been transformed by competition from Japan. In the same way that stiff textile competition from the American South helped transform Eastern Massachusetts into the high-technology mecca that it is today, so Japanese competition is forcing, probably at a faster pace than many would like, vast improvements in the economy of the industrial Mid-West.

The importance of Japan for the United States is not lost on students at the University of Michigan where I teach. The undergraduate course I offer on the Japanese economy with almost 200 students has the highest enrollments of any undergraduate economics course at the University of Michigan.

Unhappily, this case is exceptional. The capacity of American universities and colleges to train students about the economy of Japan is extremely limited. Despite American government officials, American bankers and businessmen regularly confronting across the negotiating table Japanese counterparts who are fluent in English and experts on the American economy by dint of long years of study and residence abroad, the number of Americans who have studied and worked long enough to know a great deal about the Japanese economy remains extremely small.

I want to emphasize to you today that the increase in such Japanese economy fluent Americans would be virtually zero, incredible as that may seem were it not for the extremely important work of the Japan-United States Friendship Commission. Between 1961 and 1979, despite Japan's great significance, American universities produced no more than four doctoral level American economists specializing on Japan! This despite tens of millions spent on Japanese Studies at American universities by the American government and by the Ford Foundation.

In the Fall of 1977 the Friendship Commission recognizing the particular difficulties faced in recruiting good graduate students to study both the specialized language of economics and the particularly demanding Japanese language, helped form the Committee on Japanese Economic Studies which I now chair.

This initiative by the Friendship Commission, which met a particular problem not appreciated by earlier funding agencies, has been highly successful. In the past seven years since the program began, thirty-eight fellowships have been awarded. Despite the long training period, eighteen Ph.D. economists specializing on Japan have already been produced with another seventeen still in varying stages of completion. I want to emphasize this enormous increase in trained specialists on the Japanese economy has been achieved by the Friendship Commission and the Committee on Japanese Economic Studies working together, with a modest but critical expenditure, without large bureaucracy and by stressing 50%-50% cost-sharing with any institution receiving a fellowship grantee. During the past seven years fellowship winners have successfully enrolled at:

University of California, Berkeley
University of Colorado
Columbia
Cornell
Harvard
University of Illinois, Chicago Circle
University of Maryland
Massachusetts Institute of Technology
University of Michigan
North Carolina State University
State University of New York, Stony Brook
Stanford
University of Tennessee
Tufts
University of Washington
University of Wisconsin
Yale

Understandably, there is great demand for the students coming out of this fellowship program. Indeed, the gap between supply and demand is greater than when the program started. When the program started, the filling of a largely academic demand was anticipated. In fact, in the last seven years there has been an explosion in non-academic demand for specialists on the Japanese economy.

Our graduates are getting just the kinds of placements we had hoped for. Our graduates are lecturing on Japan at distinguished universities throughout the world. They are writing books on Japanese economic policy making at well-known think tanks on both coasts. They are providing information and guidance to the heads of international agencies and cabinet departments. They are serving in Congressional offices and on the strategic planning staffs of the largest American corporations. Frankly speaking, there is no area studies-related fellowship program that has been anywhere near as successful as this Friendship Commission sponsored activity in turning fellowship recipients into Ph.D's and then successfully placing these Ph.D's in spots where their critical talents can be utilized. Positions which our recent graduates hold include:

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Staff Economist, Working Group on Japanese Capital Liberalization, U.S. Treasury
Nissan Lecturer on the Japanese Economy, Oxford University
Senior Staff Economist, Rand Corporation
Research Associate, Brookings Institution
Foreign Service Officer, Bureau of Intelligence and Research, U.S. Department of State
Economist, Office of Global Issues, Central Intelligence Agency
Staff Economist, Strategic Planning, General Motors Corporation
Assistant Professor, New York University

(2). Staff Economist, International Division
Board of Governors, Federal Reserve System
Associate Professor of Economics, North Carolina State University
(2) Staff Economist, Asia Division, International Monetary Fund
Assistant Professor of Economics, Keio University
(First American to hold position)
Staff Economist, Office of Technology Assessment, U.S. Congress

I want to emphasize that despite the evident need for a program such as I have described here it did not come into existence without the vision and leadership of the Friendship Commission. This same leadership remains critical to its continued existence. I am proud to be associated with the Friendship Commission in its activities. At a time of critical urgency in U.S.-Japanese economic relations, in the educational and cultural area the Friendship Commission is providing absolutely vital support. To understand what is happening in Japan now and in the future, trained specialists are one essential ingredient. The long and onerous training required for such specialization deters all but the most committed student. Without special support even these students could not undertake such a program. Now is not the time to undermine the one program that has been successful in turning out trained specialists on the Japanese economy. Quite the contrary. Everything should be done to nurture this activity.

Mr. SMITH. The capacity of American colleges and universities to train students about the economy of Japan is so extremely limited it makes me wonder if too little of these resources have been used to build up that capacity.

Mr. SAXONHOUSE. Well, I can't speak—I hesitate to evaluate the programs, other American government programs. I hesitate to evauluate the programs that the Ford Foundation undertook in the 1950s, 1960s and 1970s. I will say this, however, that you have at the Friendship Commission a program which is doing this, is making a vital contribution, and I am prepared to speak about the Friendship Commission's activities. I, quite frankly, have been disappointed in the contributions that previous programs have made, but I think here we have a program that is uniquely effective. I think this is one of the first activities to my knowledge that the Friendship Commission undertook when it was formed in the late '70s. It has been critical in turning out these people.

Mr. SMITH. In some of our education programs we have over the last 25 years started with the assumption that we must build up the ability to teach students before expecting to turn out students for jobs. If you can't replace the teachers, you aren't going to have more students in the future graduating so they get through to the jobs. What is the incentive to remain in the educational field and become a teacher or a professor and help turn out more students instead of going to work for some big corporation?

Mr. SAXONHOUSE. Well, I think. quite frankly, the incentive is relatively limited. Our best students today, after they get a Ph.D., go and take an attractive job, attractive staff position in a large corporation. I do think, however, that many of them are drawn to public service and may have an interest, quite frankly, in policy questions.

We have been quite successful in placing these people in American government agencies. As you know, the salaries of many of these government agencies are not overwhelming. We are in a position of budget stringency and American government officials' salaries have not gone up by a great deal. At the same time, I know less about these matters than people like yourself, but I think many bright young people like to take training in American government agencies before later on going into the private sector and cash in, so to speak. I think it is not that they all go to corporations. I think a great many of them go into public service and spend a good many years in public service. At least that has been the experience so far.

It is difficult, however, to get people to continue in academic positions. I and a few of my colleagues are relatively unique in their position. We attempt to train people. We attempt in a limited way to involve ourselves also in the public debates about Japan but we are a small group.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. No questions.

Mr. SMITH. Thank you very much.

We will adjourn until 2 o'clock.

AFTERNOON SESSION

MONDAY, MARCH 3, 1986.

LEGAL SERVICES GROUP

WITNESS

JOHN MOLA, EXECUTIVE DIRECTOR, RHODE ISLAND LEGAL SERVICES

Mr. SMITH. Our first witness this afternoon is John Mola, Project Advisory Group for Legal Services. You may proceed.

Mr. MOLA. Good afternoon, Mr. Chairman. My name is John Mola and I am the Executive Director of Rhode Island Legal Services. I serve as the co-chair of the Project Advisory Groups Funding Criteria Committee. I thank you for the opportunity to address you.

On behalf of the more than 300 local legal services staff programs and countless cooperative private lawyers who provide civil legal services to a client population of about 50 million eligible clients, the Project Advisory Group requests a congressional appropriation for the Legal Services Corporation for fiscal year 1987 of $385 million. This amount is necessary to continue the efforts to attain the minimum access goal of two staff attorneys per 10,000 poor people, which Congress, the field, and the Legal Services Corporation sought and essentially achieved in fiscal year 1981.

The actual cost of "minimum access" (providing two staff lawyers per 10,000 poor people) in fiscal year 1987 would be $529 million. The appropriation of $385 million we request would move the legal services community one-third of the way toward that goal from our fiscal year 1986 national appropriation of $305.5 million. We are gratified that leaders of state and metropolitan bar associations join us in this request. Indeed, some have urged that we seek the full amount of minimum access funding immediately.

The number of poor people nationally has increased significantly since 1970. Their need for legal services has continued to grow. In response, developments at state and local levels during 1985 have been exciting. Legal services staff offices have gained increased acceptance and respect. Cooperation between public and private law firms has increased dramatically, often in creative ways. Private lawyers and legal services staff have made new efforts to "increase opportunities" for poor people as mandated by Section 1001 of the Legal Services Corporation Act.

State and local bars, governments and communities have redoubled their efforts to supplement federally funded staff offices with local financial and volunteer resources.

Legal services in 1985 has been an extraordinary story of unprecedented success in combining public and private resources to pursue a fundamental national goal: the increased access of low-income citizens to all parts of our system of justice.

The only missing piece has been national leadership. An openly hostile Legal Services Corporation Board, rubber-stamping ill-advised recommendations from a woefully inexperienced staff, has sought at every turn to divert resources from the direct delivery of legal services to poor people. Instead they have created for public and private lawyers time-consuming and money wasting barriers to their "economical and effective delivery of legal assistance to persons in both urban and rural areas." (Section 1007(a)(3) of the Act.)

For example, if one looks at the growing paperwork that is forced upon legal services programs throughout this country, you would tabulate about 116 pages of legal services regulations, not including three pending regulations, another 30 pages of instructions and guidelines, another 127 pages for the recently revised audit guide, an additional 36 pages of LSC instructions, another 34 pages in the new functional reporting guide, and endless grant conditions, directives, and this doesn't even include the new case statistics reporting manual that soon will be published by the corporation.

This is almost 400 pages of LSC regulations and instructions that we must adhere to as we try to find the time to provide legal assistance to poor clients. This is but one example of a wasteful divergence of scarce resources away from client services.

Consequently, in addition to our request that Congress appropriate $385 million for legal services in fiscal year 1987, we ask that you intensify your oversight of the corporation's management of the funds you provide and, particularly, that you severely restrict the LSC board's discretion to determine how these funds are spent.

The Project Advisory Group is not alone in our view of the extent of low-income citizens' needs, of the degree of public law-private law cooperation, of the exciting new creativity in the use of legal services resources, or of the void in national leadership. Throughout the past year, as the LSC board has held meetings across the nation, numerous bar leaders have made the same observations.

You will hear from one of those bar leaders today.

Despite these successes, legal services continues to be woefully underfunded. Every day thousands of eligible clients desperately in need of legal assistance cannot be helped because of inadequate resources. We ask that Congress appropriate $385 million for the Legal Services Corporation in fiscal year 1987, so that we may all again travel the road toward making equal access to justice for this nation's 50 million poor a reality, and we ask that you again restrict the LSC board, as you found fit to do from 1982 to 1985, so that these individuals cannot continue to impede our progress toward that goal.

The rest of my comments, Mr. Chairman, are contained in my statement.

Mr. SMITH. We will insert your statement in the record.

Mr. MOLA. Thank you.

[The statement of Mr. Mola follows:]

TESTIMONY OF THE PROJECT ADVISORY GROUP

BEFORE THE

HOUSE APPROPRIATIONS SUBCOMMITTEE

ON

COMMERCE, JUSTICE, STATE, THE JUDICIARY AND RELATED AGENCIES

ON FUNDING FOR

THE LEGAL SERVICES CORPORATION
FY 1987

MARCH 3, 1986

BY

JOHN MOLA AND TERRY ROCHE

CO-CHAIR, FUNDING CRITERIA COMMITTEE
PROJECT ADVISORY GROUP

I. INTRODUCTION

On behalf of the more than 300 local legal services staff programs and countless cooperating private lawyers who provide civil legal services to a client population of about 50 million eligible clients, the Project Advisory Group requests a Congressional appropriation for the Legal Services Corporation for FY 1987 of $385 million. This amount is necessary to continue the efforts to attain the minimum access goal of two staff attorneys per 10,000 poor people, which Congress, the field, and the Legal Services Corporation sought and essentially achieved in fiscal year 1981.

The actual cost of "minimum access" (providing two staff lawyers per 10,000 poor people) in FY 1987 would be $529 million. The appropriation of $385 million we request would move the legal services community one-third of the way toward that goal from our FY 1986 national appropriation of $305.5 million. We are gratified that leaders of state and metropolitan bar associations join us in this request. Indeed, some have urged that we seek the full amount of minimum access funding immediately.

The number of poor people nationally has increased significantly since 1980. Their need for legal services has continued to grow. In response, developments at state and local levels during 1985 have been exciting. Legal services staff offices have gained increased acceptance and respect. Cooperation between public and private lawfirms has increased dramatically, often in creative ways. Private lawyers and legal services staff have made new efforts to "increase opportunities" for poor people as mandated by §1001 of the Legal Services Corporation Act. State and local bars, governments and communities have redoubled their efforts to supplement federally funded staff offices with local financial and volunteer resources.

Legal services in 1985 has been an extraordinary story of unprecedented success in combining public and private resources to pursue a fundamental national goal: the increased access of low-income citizens to all parts of our system of justice.

The only missing piece has been national leadership. An openly hostile Legal Services Corporation Board, rubber-stamping ill-advised recommendations from a woefully inexperienced staff, has sought at every turn to divert resources from the direct delivery of legal services to poor people. Instead they have created for public and private lawyers time-consuming and money wasting barriers to their "economical and effective delivery of legal assistance to persons in both urban and rural areas." (§1007(a)(3) of the Act.) Consequently, in addition to our request that Congress appropriate $385 million for legal services in FY 1987, we ask that you intensify your oversight of the Corporation's management of the funds you provide and, particularly, that you severely restrict the LSC Board's discretion to determine how these funds are spent.

The Project Advisory Group is not alone in our view of the extent of low-income citizens' needs, of the degree of public law-private law cooperation, of the exciting new creativity in the use of legal services resources, or of the void in national leadership. Throughout the past year, as the LSC Board has held meetings across the nation, numerous bar leaders have made the same observations. Separately, commentators often viewed as politically conservative have echoed them. As much as possible in our presentation, we will let all of them tell our story.

II. NEEDS FOR LEGAL SERVICES CONTINUE TO GROW:

At the current LSC Board's second meeting in January 1985, member Paul Eaglin, who with Tom Smegal is one of only two members who had experience delivering legal services to poor people prior to joining the Board, said: "We all know of the great needs of poor people. And they are growing." The record, stated by Bar leaders and others, proved Mr. Eaglin correct.

The 1980 Census counted 29.5 million people below the federal poverty level. PAG calculates its "minimum access" funding need of $529 million on this poverty count. However, we estimated to Congress last year that the poverty population had grown to 37 million. But we never based our "minimum access" figure on this higher level. And we do not do so for 1987. Instead we continue to base our calculations on the much more conservative, lower 1980 level of 29.5 million.

Frederic R. Kellogg, in a November 1985 paper published by the Ripon Society entitled "Federal Involvement in Legal Services for the Poor," disputed our estimate. He argued that:

". . . recent data from the Census Bureau's March 1985 Current Population Survey shows it [the poverty population] at 33.7 million, down from 35.3 in 1983." His dispute is irrelevant. Mr. Kellogg makes PAG's point. According to his data the poverty population, indeed, did grow between 1980 and 1985 - by 14.2%. If PAG based our "minimum access" calculations on his 1985 poverty population data instead of on the 1980 Census, its 1987 cost would be $604 million rather than $529 million.

The comments of two State Bar leaders to the LSC Board during 1985 amplify this point. They observed in their states the increasing, unmet need. Mr. William Whitehurst, Jr., President-Elect of the Texas State Bar, told the LSC Board at its December meeting:

> The findings of the 1983 [Texas] Legal Needs Assessment showed that less than ten percent of the indigent persons in Texas needing legal assistance were receiving such assistance. . . . The Needs Assessment calculated that of the approximately 470,000 poor persons requiring legal assistance in Texas, out of an estimated poverty population of 2,036,000, only 42,000 clients were served each year.
>
> These numbers have changed slightly over the past two years, yet the percentages are similar.

Mr. Michael Greco, current President of the Massachusetts Bar, told the Board in October, 1985:

> Massachusetts, perhaps more than any other state, devotes enormous non-federal resources to legal services for the poor, both funds and volunteer time, but there is still an enormous gap which only the federal government can fill. . . . The Massachusetts Legal Assistance Corporation has estimated that all of the joint efforts of the bar and legal services programs combined in 1984 were able to meet only twenty percent of the legal needs of the poor in Massachusetts.

And, Mr. Greco added, poignantly, that:

> . . . legal services is not just a poor peoples' issue, or even a lawyers' issue: it is a children's issue, too. Most poor people today in Massachusetts are women and their children - 55% of the poverty population in 1983, an increase of 17% since 1970.

Mr. Kellogg and the Ripon Society agreed. Their paper tells us:

> In conclusion, by comparison to civil legal insurance plans, the level of LSC services is, under current economic conditions, roughly three to four times too low for an "honest" program, fully serving the client population.

By contrast the Legal Services Corporation's presentation to you announces that "total funding for LSC and programs reached a record level in fiscal year 1985 of $411 million." Presumably this includes all national, state, local, and private funding and distributions from Interest on Lawyers Trust Accounts (IOLTA) programs. That total is only 77.7% of "minimum access" as PAG measures it and 68% as the Ripon Society measures it.

LSC Board member Eaglin and Presidents Whitehurst and Greco accurately stated the nation's unmet need.

III. 1985 RESPONSES TO NEED:

A. Staff Programs Are More Respected Than Ever:

Two State Bar Presidents and a conservative commentator stated this proposition better than PAG can. In October 1985, New Hampshire Bar Association President L. Jonathan Ross said to the LSC Board:

> In New Hampshire, aid to the poor by virtue of New Hampshire Legal Assistance is a non issue. New Hampshire Legal Assistance is now one of our institutions, well respected and well regarded. The job it

> does needs to be done and it is hampered only by a lack of money, facilities, and firm national commitment to helping it do its job for all those who need it, in an effective way.

In February 1986 North Carolina Bar Association Immediate Past President E. Osborne Ayscue said to his state's legal services professionals at a Bar Association luncheon honoring them:

> The poor are still with us. They always will be. The numbers of those below the threshold of poverty may rise and fall, but there will always be those who, for whatever reason, simply cannot cope successfully with the modern economic world. The need for lawyers to serve the poor will always exist. Many of their problems will continue to be those that cannot be solved by conventionally trained lawyers in private practice. Legal services for the poor will remain as pressing a need and as vital to the survival of our system of justice as it always has been. . . . The poor will always be with us, and with them, the need for lawyers like you to serve them. . . . You have made a difference. You have set an example for the rest of us. You have played the major role in helping our profession fulfill it obligations to the poor.

And in August 1985, in a letter to Texas Senator Phil Gramm, the conservative commentator, who has been a frequent LSC consultant, Mr. Robert J. D'Agostino, Special Counsel to the National Legal Center, wrote:

> First, the Reagan Administration has lost the fight over Legal Services. . . . Most local Legal Services programs are seen as serving a need and doing it well. Nowadays, most Legal Services directors are not wild radicals pursuing class actions. Rather, most Legal Services programs are involved in dealing with family law problems, tenant evictions, and other such mundane but important to the people involved, legal issues.

The respect for the professionalism and unique expertise of federally funded legal services staff lawyers transcends political boundaries.

B. Public Law Firm-Private Law Firm Partnerships:

The natural result of this growing respect for public lawyers has been increased partnership between public and private lawfirms. In every state federally funded staff lawyers work side by side with, and use their specialized expertise to support, private lawyers. Again, the bar presidents speak:

Mr. Greco:

> Thousands of Massachusetts attorneys are directly involved as partners with legal services workers in the direct provision of legal assistance to eligible clients. A strong and growing partnership has been forged between the legal services programs and the private attorneys who participate in pro bono and compensated projects established by those programs.

Mr. Whitehurst:

> If low-income Texans are to have access to the justice system, then additional resources are desparately needed in the form of both financial support and increased representation by the Private Bar. The State Bar of Texas through its IOLTA Program, and through the Texas Lawyers Care is working to alleviate these needs. Nevertheless, the primary source of legal assistance for low income Texans has to be the statewide network of LSC funded staff attorney programs.

Mr. Ross, after referring to past disputes between public and private bars:

> But all of that is ancient history and those of us that wondered and those of us that complained loudly, for the most part, understand that unorganized, the Bar and its various lawyers, no matter how dedicated some of them may be, cannot adequately provide for the needs of poor people. . . . In New Hampshire we are proud to have between 700 and 1,000 lawyers in our pro bono program, handling anywhere from one to three cases per year. We have large lawfirms committed to this program, donating staff time on a regular basis for a number of cases per month. We have attracted interest from our Attorney General's office, which is now studying ways in which its lawyers might participate in this program, even though faced with a statute preventing private practice while in public service.

Mr. Ayscue:

> "The Private Bar - at least that part of it for which the North Carolina Bar Association speaks, and that is most of the lawyers in the mainstream of the profession in North Carolina - is committed to augmenting your manpower through pro bono programs and to continuing to support you in every way possible."

These comments are typical of the spirit of the profession throughout the nation.

C. Interest On Lawyers Trust Accounts:

In 1985 the IOLTA programs in fifteen states distributed approximately $22.5 million for legal services to the poor. That figure is expected to reach $40 million in fiscal year 1986 and higher in 1987 as 23 additional state programs begin distributions. Though the Legal Services Corporation claims great credit for the success of IOLTA, LSC has contributed little to its development. Indeed, at the end of FY 1984 39.5 percent ($108,895) of the $275,314 which LSC budgeted for IOLTA development that year remained unspent.

A number of states, like North Carolina, rejected LSC offers of financing, preferring to avoid any potential federal control of their decision-making processes. Consistent with the increase of public and private lawfirm partnerships in other aspects of legal services delivery, IOLTA program developments have been mainly, if not entirely, the work of state and local bars with some help from local field programs.

The commitment of Texas President-Elect Whitehurst to IOLTA is becoming typical of all bar leaders. He told the LSC Board:

"We are currently in the implementation stage, and I have said expansion of IOLTA is one of the goals of my presidency."

Bars, however, do not want anyone to consider IOLTA dollars as replacements for federal funds. In New Hampshire, the state which prides itself in being the nation's bellwether in many things, the Bar has mandated in its IOLTA grants that IOLTA dollars not be used to replace LSC funds. North Carolina provides IOLTA grants only for additional services. Many states will follow. The intent is clear. If Congressional appropriations ever can achieve "minimum access" to justice for poor people, someday IOLTA funds may be able to take the nation to "adequate" access.

D. State, Local, and Private Funds:

Increasingly, states through appropriations or filing fee surcharges (for example, Massachusetts and Ohio) are funding legal services staff programs and bar volunteer efforts. Local governments, United Ways and, even general public solicitations, contribute also. But, so far, all of these efforts, added to LSC appropriations have achieved, at best, only about three-quarters of "minimum access."

Unfortunately, these state and local efforts may be temporary and tenuous. Maine State Bar President Robert R. Hirshon told the American Bar Association's Standing Committee On Legal Aid and Indigent Defendants in February 1986 that many members of his state legislature considered the federal commitment a prerequisite to its own efforts. If the national commitment abated, the Maine legislature might reconsider its commitment. Mr. Hirshon urged the A.B.A. to seek a 1987 Congressional appropriation significantly greater than you provided LSC in FY 1986.

There now seems little doubt about the high level of commitment of state and local bars and communities to meeting the legal needs of poor people. Only the Kellogg/Ripon Society paper seems to have missed this development. Published in November 1985 it says:

> It is the thesis of this paper that the federal agency charged with providing the Legal Services Corporation (LSC), should undertake to mobilize the private Bar to take responsibility for this burden as much as possible.

Perhaps correctly Mr. Kellogg observed LSC's Washington inertia. Apparently he was not aware, however, that local legal services programs and local bars were well on their way to achieving his very goal.

IV. THE CREATIVITY:

Traditionally, legal services programs have been the "safety net of the safety net" for the elderly, the disabled, single mothers and millions of children, its lawyers often their sole link to the fair and well-ordered society which most Americans take for granted. Day-in, day-out, legal services lawyers provide law enforcement for America's least powerful and least knowledgeable citizens, reminding public and private institutions of the responsibilities which national, state and local governments have required of them through statutes and regulations, making them respond as legislators mandated.

But, increasingly, local programs, often using the special expertise of local private lawyers, have turned their attentions to working affirmatively toward moving poor people "off the road to dependency." Here are a few examples:

In North Carolina's depressed textile region, legal services lawyers with private lawyers' advise helped workers, unemployed because their plants had closed, sort through a maze of financing, securities and tax questions to acquire the space and equipment necessary to return themselves to work together as a knitting cooperative.

In Los Angeles, the renowned firm of O'Melveny and Myers helped local Los Angeles Legal Assistance Foundation lawyers prevent 150 senior citizens from being removed from subsidized housing and then helped the housing project itself regain financial viability without having to increase rents to levels which these seniors could not afford.

In Chicago, the Young Lawyers Section of the Chicago Bar worked with the Legal Assistance Foundation to create housing and a community center for recently arrived Laotian refugees.

In Baltimore, legal services lawyers helped residents of a low-income neighborhood negotiate with developers planning a local industrial park to maximize the number of them hired for the jobs created by the new facility.

Perhaps most dramatically, in North Dakota and Minnesota, legal services staff and private lawyers worked together for many years to address the problem depicted so poignantly in the movie Country: the foreclosure or abandonment of small family farms. This effort, which began as typical litigation, spun off into the Farm Advocates program to help farmers get the financial advice, loans, and human support they needed to stay in business. It led to farm credit workshops and seminars, conducted by private lawyers and legal services staff, and to the publication of the Farmers Guide to FmHA, over 20,000 copies of which have been requested by farmers throughout the nation.

The list of such creative projects continues, in Rhode Island, in Boston, in Seattle, in North Mississippi, and elsewhere across the nation.

Here again, local creativity and cooperation, rather than national direction or leadership, made, as North Carolina President Ayscue said, "the difference."

V. LACK OF NATIONAL LEADERSHIP COMPELS CLOSER CONGRESSIONAL CONTROL:

During 1985 an increasingly hostile LSC Board and its inexperienced staff appeared intent on diverting badly needed funds from direct delivery of legal services to poor people to increasing LSC's internal bureaucracy. This trend was readily apparent to even momentary observers.

At the end of his prepared remarks to the LSC Board in December, Texas Bar President-Elect Whitehurst said:

> As I listen here today, I'm concerned about the atmosphere that exists between you and the people out in the field. And I'm concerned about a young staff . . . .

Six weeks later, after the LSC Board had ignored his plea that it seek increased federal funding for Legal Services, he urged the A.B.A.'s Standing Committee on Legal Aid to become more closely involved in monitoring the Corporation's national management because he found the LSC Board's attitude to be not healthy, not supportive of legal services to the poor, and not realistic. He observed the Board's attitude as one of distrust and dislike of legal services field programs' staff.

He also observed that the Board had brought on a very young, inexperienced staff, and that, while their intentions might be good, the staff was not in touch with reality or familiar with the day to day problems of Legal Services. He concluded that the LSC Board had no pride in the program it administered and provided no leadership to it.

LSC's 1985 record supports Mr. Whitehurst's views. At various points during the year, LSC staff recommended:

° A performance measure incentive system which would have substituted national for local priorities and would have rewarded most highly those local grantees who spent most of their resources providing hundreds of uncontested divorces through private lawyers;

° Spending nearly $1 million to supply computers to local programs to enable them to implement a national statistical gathering and reporting system which has yet to be designed;

- Implementing a wasteful, time and money consuming, functional accounting system similar to ones which various state Attorneys General Offices and the U.S. Justice Department rejected years ago as unproductive and absurdly costly.

- That LSC employ for FY 1987 one national auditor for all its grantees at a cost of nearly $600,000 more than the amount which all field programs together would spend themselves for the same services.

(The Board, to its credit rejected the first recommendation. But it adopted the second and third ones, and it has yet to react to the fourth one.)

Most egregiously, in the face of tremendous underfunding of field programs, LSC's staff and Board continued unable to manage efficiently the funds committed entirely to their discretion.

After concluding FY 1983 with a 34.9 percent fundbalance and FY 1984 with a 29.3 percent fundbalance, LSC managed to create a 23.2 percent fund-balance in FY 1985, despite persistent advice throughout the year from PAG. We consistently urged during 1985 that LSC expenditure patterns and Board decisions would result in significant underexpenditures in LSC's administrative line items. Despite PAG's oft-stated observations that LSC's administrative budget was too high and urgent requests that these monies be used to meet even a small part of our clients' needs for legal services, LSC adamantly created a year-end fund balance double even PAG's projections.

LSC's overall 1985 fundbalance from the three budget lines it most directly controlled (Program Development, Training & Technical Assistance, and Management & Grants Administration) was $4,131,996 from a total amount budgeted of $17,817,027.

The only apparent creativity LSC management displayed in trying to avoid a large 1985 fundbalance in administrative lines was to change its definition of "committed" funds. Instead of continuing to use the standard accounting understanding that money must be obligated by grant or contract in order to be "committed," LSC shifted to a curious notion that any Board decision to spend money for some particular purpose any time in the future rendered those monies "committed." This definition, of course, is directly contrary to LSC's policy on recipient fundbalances set-forth at 45 C.F.R. §1628.

Perhaps most outrageously however, when LSC staff discussed with its Board in January 1986 future expenditures of 1985 fundbalance - as its grantees faced a potential sequestration of 4.3% of their FY 1986 allocations, they did not recommend that a single penny be devoted to direct delivery of legal services to poor people, despite PAG's insistence that LSC create a sequestration reserve. Instead, they suggested that nearly $1 million go to national training for the still undesigned statistical gathering and reporting system, that $347,000 be used to implement functional accounting, and that about $60,000 (enough to serve 200 clients) be used to purchase a new xerox machine for the LSC headquarters print shop!

The full Board accepted these staff proposals while defeating eight-to-three member Smegal's motion that the 1985 fund-balance be used to offset any sequestration of 1986 legal services delivery and support allocations.

From this dismal year of experience, LSC now comes to Congress with an appropriation request which says essentially that poor people need no further access to the system of justice, a position totally contrary to that urged by experienced state bar presidents.

Indeed, LSC even recommends that $2 million be removed from delivery of legal services by licensed public and private lawyers and that $1.6 million be redirected to law school clinics. This would increase expenditures in 1987 for such clinics by 26 percent over 1986. While certainly law school clinics have their place as experimental and recruiting tools, current Congressional and LSC initiatives seem sufficient for that purpose. Neither legal educators nor practicing lawyers would pretend that delivery of legal services by law students is likely to be more "economical and effective" than delivery by graduated, experienced professionals. Hopefully, this is not what LSC's FY 1987 recommendations intend.

Both LSC's 1985 record and its published future intentions strongly compel closer Congressional control over the discretion which LSC staff and Board have to spend the money which you appropriate to them.

VI. CONCLUSION:

In his February, 1986 address, North Carolina Past Bar President Ayscue perfectly described the current state of affairs in Legal Services. He said:

> There are today those who minimize the role and influence of professionally staffed field programs and support centers and apparently a few who are proceeding on the curious premises that the way to fight a war is to dismantle the regular army and depend entirely on volunteers and mercenaries.

His wistful characterization of past struggles over methods of delivering legal services to poor people also applies. He said:

> If all the time and energy that have been devoted to such skirmishes could have been devoted to helping poor people with their legal problems, we would all be better off.

But in October 1985, New Hampshire Bar President Ross stated the problem most succinctly in his admonition to the LSC Board. He said:

> You are directors of a national organization that was developed specifically to meet the needs of the poor in this country for access to lawyers and our institutions. Regardless of your personal beliefs about whether that is right or wrong, I believe that you will and do set aside your personal feelings and discharge the public duty that your office has thrust upon you. I hope that you are planning in your meetings ways to better serve the poor: to discharge the public responsibility that we have rather than directing your energies to ways of reducing or negating the good work that has gone before.

The LSC Board ignored Mr. Ross. And it continues to do so. It refuses to advocate to you, the Congress, the needs of our nation's low-income citizens. It seems ignorant to the growing, local partnerships between public and private lawyers, which might begin to erode if national funding stays at LSC's recommended "freeze" level for the third straight year (1985-1987).

Consequently, this year PAG doubly urges you to support the request which we and many state and local bars make to you. We request that you increase the appropriation for the Legal Services Corporation to $385 million and that you control carefully the manner in which the Corporation distributes those funds to local grantees and bars. By doing so you will encourage the further creative growth of the partnerships between Legal Services field programs and local and state bars. You will discourage the meddlesome efforts of the Legal Services Corporation's Board and staff to reduce and negate "the good work that has gone before."

We append to this message our recommendation to the LSC Board about how FY 1987 funds should be spent. And we append also the supportive resolutions of the New Hampshire and Vermont Bars. Thank you.

Mr. SMITH. We have got a real problem, as you know, as we have had for four years. The budget doesn't include any money in the budget. They want to eliminate the program. It went down to $241 million several years ago. We got it back up to $305 million and then Gramm-Rudman is going to take 4.3 percent of that. As a practical matter, we are not going to be able to do on this Committee, what the majority would do, I believe, if they had an opportunity to do it. We are under great restrictions. However, I want to ask you a practical question now, because you are dealing at the local level.

If we are forced to, as we will be, absorb the 4.3 percent for the balance of this year, the question comes to whether the best way to do it is to take 4.3 percent off of each of the 10 or 12 or 13 individual programs, or whether we can revise the allocations somewhat. And specifically I am thinking of whether backup centers are as important at this point.

I know they were important at one time because there were a lot of resources available to the field. This time, are those support centers that important?

Mr. MOLA. In my view they are, Mr. Chairman. The national and state support centers provide an invaluable resource to allow paralegals and attorneys in local programs to deliver necessary legal assistance to clients in a very efficient manner. As you may know, the support centers provide specialized expertise in various substantive areas of poverty law, for example, consumer issues, health issues, housing issues, and they provide a wide range of services that are available to local program staff, and those services include telephone assistance.

For example, if we get a case that raises a novel issue, we can call the National Consumer Law Center in Boston, and get some very quick advice on how to proceed with that matter, rather then spending three to five hours of research in a library.

They provide newsletters on a periodic basis that are widely read in every program in the country. This is a very valuable tool for our local poverty law specialists to stay up to date with what is happening in various poverty law areas.

In addition, they publish an update on a regular basis manuals that are reused extensively in legal services programs, and on an annual basis assist in various training activities, and I think all of these support activities, both by the national and the state support centers, are very important to maintaining our ability to provide effective and efficient legal assistance to our poor clients.

Mr. SMITH. The question is not whether or not they can help. I guess it is whether or not there are alternative ways, whether or not the amount of money being spent that way is as important as if some of it were spend in some other way. Law schools have clinical programs that do some of that kind of work. There are some who think you can get a lot more for your money by designating some law schools to do what support centers do.

Mr. MOLA. I don't know what law schools would be able or want to be able to do. What I do know is that the national and state support centers have over a decade proven a demonstrated ability to provide the kinds of resources that we need.

Mr. SMITH. In the field of the elderly, for example, the $2 million that was made available last year for a two-year program—from the reports we have gotten so far—indicate that there is going to be a vast amount of resources available at the end of this year and that were never provided by the support centers.

Mr. MOLA. As an attorney in a local program, I have yet to see any of that work product, Mr. Chairman.

Mr. SMITH. The reports haven't been made, but they are in the process of doing it on a two-year grant.

Mr. MOLA. It is quite possible that there will be materials generated from the Elder project that will be useful there perhaps. As you know, the law is dynamic, and if those materials are produced, there will also need to be continual updating of that material for them to remain current, so there is always that extra cost. Those are things now that the national backup centers, the support centers, are doing for the benefit of legal services attorneys and paralegals.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. No questions.

Mr. SMITH. Thank you very much.

Mr. MOLA. Thank you.

MONDAY, MARCH 3, 1986.

LEGAL SERVICES CORPORATION

WITNESS

WILLIAM O. WHITEHURST, JR., PRESIDENT—ELECT, STATE BAR OF TEXAS AND FOUNDING MEMBER, BAR LEADERS FOR THE PRESERVATION OF LEGAL SERVICES FOR THE POOR

Mr. SMITH. William Whitehurst.

Mr. WHITEHURST. Thank you, Chairman Smith. My name is Bill Whitehurst, and I am President-elect of the State Bar of Texas. I would like to thank you for the opportunity to appear before you today.

On behalf of the 445,600 active members of the State Bar of Texas, I have traveled from Austin today to urge strongly that Congress accept the well researched, well-thought-out and I think well-argued position of the Project Advisory Group, that $385 million should be appropriated for the Legal Services Corporation by fiscal year 1987.

In addition to speaking on behalf of my colleagues at the bench and bar in Texas, who are deeply concerned that in the name of deficit reductions we do not cut corners of legal services to the poor, I also speak as a founding member of the new ad hoc group of bar leades from across the country, a group of past or current bar association officers who have been pulled together by a common bond in a common concern. This group is known as Bar Leaders for the preservation of Legal Services for the Poor.

Our common bond is our belief that the poor of this country should have full and equal access to the courts, to justice in this country, and our belief that the Federal Government has a moral and ethical responsibility to fund and to support this notion of equal access to justice.

Our common concern is that the Legal Services Corporation, the entity that was created in 1974, because Congress found that there was a need to provide equal access to the system of justice in our nation for poor individuals who seek redress of grievances, is being gutted from within. It is being gutted from within by a seemingly hostile board, and by young and inexperienced staff, who get their atitudinal cues from a board and a presidential administration whose hostility, enmity and antagonism towards legal services programs across the country are well known.

I would like to tell you about how Bar Leaders for the Preservation of Legal Services for the Poor came about, in order to convey the depth to which the legal profession nationwide is concerned about the preservation of equal access to justice in this country. This new group was founded by Jonathan Ross, President of the New Hampshire Bar Association; Michael Greco, President of the Massachusetts Bar Association; and me.

As I am sure you are aware, New Hampshire, Massachusetts and Texas are geographically, socially, culturally, economically and politically diverse. These states are quite different from one another in many fundamental ways.

So what brought these three bar leaders from these states together to form a new ad hoc national organization dedicated to equal access to justice? It was a common and a somewhat frightening experience that each shared this past fall.

Each of us, John Ross and Mike Greco in Guilford, New Hampshire, and I in El Paso, Texas, had the experience of attending, observing and giving testimony at a Legal Services Corporation board meeting, and each of us having observed the proceeding for significant lenghts of time went away with dismay, with anger, and with fear about the future of legal services to the poor in America, if left in the unfettered ands of the current LSC board and staff.

At the recent American Bar Association 1986 mid-year meeting held in Baltimore this past month, the three of us got together to compare notes on our LSC experiences. And understand, I think it is very important that I make it clear that I did not have a great deal of experience and neither did these other gentlemen, these bar presidents, have a great deal of experience, with the Legal Services Corporation. In many ways this was our first introduction to our present board and our present administration of this system.

But when our mutual sense of concern was apparent, we agreed to meet twice more to discuss the kinds of specific actions that bar leaders could and should take to assure the survival of our system of delivering civil justice to the nation's poor which had been so carefully crafted and nurtured since the passage of the original act in 1974, a system which has since matured into an essential ingredient in the overall administration of justice.

We were gratified, but more than that, amazed, that news of our conversations traveled so quickly throughout the ABA gathering. In fewer than 24 hours, we had received testimony or pledges of support from bar leaders in such diverse places as Montana, Florida, Maine, North Carolina, Maryland, North Dakota, West Virginia, Rhode Island, Mississippi and Vermont. Since that first 24 hours, many others have added their voices, support and encouragement to our efforts, and I can guarantee you that among the constituencies represented by each member of the House and Senate Appropriations Committees, there are bar leaders who are concerned about what you do with the 1987 Legal Services Corporation appropriation.

It should be clear that if Massachusetts and Mississippi, Maryland and Montana and so many other diverse regions are agreeing so readily, you are dealing with a concept and concern which transcends party, ideology and regional interest, and which is now regarded as basic to the very tenets of our democracy and our way of life.

In fact, I have heard most of my colleagues from the states mentioned above indicate loudly, strongly and clearly that a $385 million LCS appropriation for 1987 is the very least that Congress should do. $385 million will barely, if at all, allow our legal services programs nationwide to get close—not even but close—to the service capacity they had in 1981, before the Legal Services Corporation was drastically reduced, and even that capacity in 1981 did not provide the poor with equal and adequate access to legal representations to our courts and thus to justice.

Our concern is especially so in light of the Gramm-Rudman reductions which we know we are facing and are coming.

Further, I do not believe that there is one here among us who would try to claim that the nation's population of poor people has not grown since 1981. Interestingly, while there is, to be sure, much support for the institution of cost-cutting measures or deficit-cutting measures within the federal bureaucracy, and much support for the promotion of increased efficiency in government, there is not support for the cost-cutting which threatens the very rights, freedoms and belief in equality which are the foundations, the basic building blocks, of our democratic society.

To topple equal access to justice in the name of deficit reduction is a price far, far too high for this nation to pay, and we hope that congressional denunciation of this effort will ring loud and clear on Capitol Hill. We also hope to see this committee in the forefront of our efforts to continually remind Congress of our concerns and support in this area.

Bar leaders across the nation believe that the members of the Legal Services Corporation board have a moral and a fiduciary responsibility to carry out the original purposes of the Legal Services Corporation Act, that is, to provide equal access to our system of justice, regardless of socioeconomic status.

We have seen since, however, that the LSC board as a whole has not been able to cast aside its personal collective feelings that full access to justice for the poor is somehow a dangerous concept, to be met with open hostility, and an ongoing administrative Archie Bunker mentality. Therefore, my colleagues and I, as bar leaders, as officers of the court, and as professionals, have organized to support and defend legal services to the poor. We believe it is necessary at this point to turn to you in hopes that you will reasset your fiduciary responsibility to support and defend the notion of equal access to justice.

The LSC board is made up of appointed representatives. We hoped they could rise above any personal feelings of ideology or enmity towards a particular legal services program or legal aid doctrine, and support and defend legal services as a whole. A few have done so but the majority have not, but you and your congressional colleagues have sought your positions of leadership. They were not simply thrust upon you by presidential appointment. You have paid dearly in time, energy and real dollars to convince your constituents that you can best represent their interests and can best provide moral leadership in the halls of Congress. Therefore, we believe you have an even bigger fiduciary duty to preserve, protect and defend the concept of equal access to justice, and that is why we are now turning to you directly to discuss the 1987 LSC appropriations, and to urge that the appropriations be given with specific guidance and severe restrictions so that the $385 million we are requesting is indeed spent in the way that you intend.

I want to point out by way of example one of the things that I heard at the meeting in El Paso, that gives me the reason for asking you to write specific guidelines, and put on severe restrictions. The subject came up as to the conference report, and instructions that this group, the conference committee, gave to the Legal Services Corporation, specifically with regards to this language. "The Conferees are agreed that the amount allocated by the Legal Services Corporation in fiscal year 1986 for migrant programs and components, supplemental field programs, regional training centers, national support, state support, and CLR grants shall not be less than the amount allocated for such functions in fiscal year 1985."

The response to this well-thought-out, well-put-down, well-worded instruction to LSC was me with this statement from one of the board members, Mr. Michael Wallace: "Let me say this right now. As far as I am concerned, maybe it will cut off a lot of unnecessary argument about what is legislative history and what is not. I have said it before. If Congress wants to send me a message, there is only one way to do that, that is to put it in the statutes at large. The statutes at large remove all restrictions on our grant-making authority, and the conference says something different. The statutes at large have control of the Congressional Record, so you have not got, Congress has not told us to do anything. Now, I am ready to wait 90 days, and if Congress wants to tell me to do something then I will do it. Right now I have not been told anything except to run the corporation according to the underlying act."

That is the attitude that is presented at this board, and that is the attitude that they have towards your instructions that are not part of the statutory language.

We will be happy to spend time with committee members individually to explain in more detail our position, and our concerns, and to reemphasize that we have arrived at our conclusions about the worth of the Nation's legal services program after careful study, thought and dialogue. We now wish to extend that production dialogue we have had with each other to you and your House and Senate colleagues.

We are also endeavoring and will continue to endeavor to maintain a positive dialogue without LSC staff and policymakers, so there will be no question about how the mainstream of the legal profession views the need for and the future of federally funded legal services for the poor. You have already heard a great deal and been given extensive background material about the strength, the depth and the breadth of the partnership which currently exists between legal services programs across the country and the private bar, so I will not dwell on it again.

In some States that partnership is already at a point of being a model of extraordinary communication and cooperation. In other States the partnership is still emerging and evolving, but no matter what its stage of evolution from State to State, program to program, it is a model which rests heavily on the continuation of a healthy, well-funded Legal Services Corporation, and on a firm national commitment to the continuation of Federal funding for legal services for the poor.

We trust that you, our elected representatives, will not in any way be a party to the dismantling of Federal support to equal access to justice and that you will not in any way shy away from your duty to hold the board members fully accountable for carrying out positively their duty to uphold the original intentions of the Legal Services Corporation Act.

I would like to respond to one question you had earlier, and that is the question towards national and State support. I have seen the arguments on both sides of that, and I just want to bring up something that I have observed as a bar leader in Texas, where we have some 11 different programs, and a strong State support staff and State support program, that maybe really hasn't been addressed or thought of.

In addition to providing all the different services, technical services, training, research and things of that nature, the State support function at least in Texas provides another I think more important function, and that is it provides continuity and efficiency and a head, a central location, that each of our programs can relate to. It is very important. It has been the key. It is the glue, if you will, that holds it all together, and I think if you want to gut the program in Texas, or you want to weaken the whole system of legal services to the poor, you can do that by taking away that State support staff.

[The statement of Mr. Whitehurst follows:]

Addendum to the Testimony of

William O. Whitehurst, Jr.
President-Elect
State Bar of Texas

and

Founding Member,
Bar Leaders for the Preservation of
Legal Services for the Poor

before the

House Appropriations Subcommittee on
Commerce, Justice, State, the Judiciary
and Related Agencies

March 3, 1986

Topic: 1987 Funding for the Legal Services Corporation (LSC)

Contents

1. October 11, 1985 Speech Before the LSC Board By L. Jonathan Ross, President, New Hampshire Bar Association
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4. December 18, 1985 Speech Before the LSC Board of Directors' Audit and Appropriations Committee By Gail Kinney, Executive Director, New Hampshire Bar Association

The Legal Services Corporation Has Public Duty To Ensure the Poor's Legal Needs Are Met

by L. Jonathan Ross

New Hampshire Bar Association President L. Jonathan Ross, Manchester, presented the following address to the federal Legal Services Corporation (LSC) Board on October 11 at its meeting in Gilford, New Hampshire. Approximately 65 percent of New Hampshire Legal Assistance's funding comes from LSC, and the New Hampshire Bar's Pro Bono Referral System receives approximately 55 percent of its funding from the Corporation.

Chairman Durant, President Wentzel, Members of the Board of Directors, and staff of the Corporation.

On behalf of the New Hampshire Bar Association and its almost 2,500 members, of whom about 75 percent practice law in this state, I welcome you to New Hampshire and thank you for choosing our state as a site for your meeting. I hope that your presence here signifies your dedication to the principle that citizens of the United States are entitled to equal access to our institutions, and to the protection of law, regardless of their socio-economic status. I hope that your presence here affirms that you as a Board represent a commitment to serving the legal needs of the poor of this country, and defining ways to increase the ability of our government to respond to the needs of its people.

Each of you has a unique opportunity by virtue of the leadership position for which you have been chosen, and which you have graciously accepted. To you has been entrusted the management of the social and moral conscience of America and how it treats its citizens. That is a sacred trust which carries with it a heavy responsibility.

New Hampshire Legal Assistance has been in existence since 1971. According to its 1984 Annual Report, this organization has helped over 150,000 people with their most difficult legal problems. With offices in Berlin, Claremont, Concord, Manchester and Portsmouth, lawyers for New Hampshire Legal Assistance handled over 10,600 cases in 1984 in addition to providing community legal education, legislative advocacy, and providing a standard of legal service for the rest of the Bar to emulate.

When New Hampshire Legal Assistance first opened its doors, some members of the Bar complained that we did not need this organized institution to handle the needs of our poor people, that lawyers had always done it on their own "Pro Bono." And when New Hampshire Legal Assistance began to spend some of its energies in the Legislature and before the Public Utilities Commission on public issues for the poor, many of us were upset and disenchanted that our monies could be used in this fashion.

But all of that is ancient history and those of us that wondered and those of us that complained loudly, for the most part, understand that unorganized, the Bar and its various lawyers, no matter how dedicated some of them may be, cannot adequately provide for the needs of poor people. We also understand that those less fortunate than most need a means of access to our institutions that does not depend upon the whim or fancy of any particular lawyer in deciding to take on that person's case. We have also come to recognize that there are many sides to public issues and that the side of those who are less fortunate than most need a spokesperson who is unencumbered by personal interest and whose job it is to speak on behalf of the poor.

The United States Congress has made a continuing commitment to funding for these services through the Legal Services Corporation. In this connection, it is certainly within the purview of Congress and, to some extent, to the Corporation's Board and staff, to determine the general guidelines for which funding will be available. Once those broad areas have been outlined, however, in my opinion, neither Congress nor the Corporation's Board, nor the staff, has any place inside the attorney/client relationship. Once a lawyer accepts a client for a legal matter that is within the scope of his authorized activity, that relation is protected by an ancient privilege and must be held to be out of bounds of policymakers. For example, it may be determined by Congress that Legal Services' lawyers should not do divorce work. If, however, Congress decides that Legal Services' lawyers should do divorce work, how they do it and the tools of lawyering that are made available to those clients should be free of any interference from policymakers.

In New Hampshire, aid to the poor by virtue of New Hampshire Legal Assistance is *a non issue*. New Hampshire Legal Assistance is now one of our institutions, well respected and well regarded. The job it does needs to be done and it is hampered only by a lack of money, facilities, and firm national commitment to helping it do its job for all those who need it, in an effective way.

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Since the mid 1970's the New Hampshire Bar Association has sought ways to augment the services of New Hampshire Legal Assistance. Some cases were treated by individual lawyers on a very low-fee referral basis in the domestic relations field, but eventually the Bar approached this problem in an organized fashion. The result is our current Pro Bono program, which uses private lawyer involvement, on a no-fee basis, as its principal source of services to the public. The structure that permits this operation to maintain its place in society is funded by your Corporation. In New Hampshire we are proud to have between 700 and 1,000 lawyers in our Pro Bono program, handling anywhere from one to three or more cases per year. We have large law firms committed to this program, donating staff time on a regular basis for a number of cases per month. We have attracted interest from our Attorney General's office, which is now studying ways in which its lawyers might participate in this program, even though faced with a statute preventing private practice while in public service. In an effort to gain efficiency and better service to the public, we have completed a long program of consolidating our legal services to the poor under one roof. We now have a Pro Bono program, an experimental reduced fee panel program, and a Lawyer Referral Information Service program with shared personnel under a single director. We are doing a job that has to be done, and we are doing it in the face of mounting difficulties from a national perspective.

We are grateful for the restored funding.[*] We do not wish to have to have the same conversation year in and year out with the Corporation, with the Congress, and with the Administration. Our energies are much better spent in serving the poor than in fighting for dollars to permit us to operate the program that allows others to give up their time to discharge this moral responsibility.

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I understand that there is some consideration of what might be called an entrepreneurial approach to meeting the legal needs of the poor. As I understand this approach, Legal Services Corporation, through its local agencies, would award contracts to the private bar to service the poor, and that these contracts would be awarded on the basis of low bids, thereby allowing the marketplace to set the costs and the value of these services. I strongly urge you to reject this idea. The experience of contract attorney, low bidding processes in criminal cases across the country, have resulted in extreme criticism. The articles written on this subject suggest that the process short-changes the client and generally ends up with the least capable, or least interested lawyer being awarded the case. I recently had the privilege of serving with the New Hampshire Judicial Council in setting the standards for hiring lawyers to handle criminal defense cases on a contract basis. The Judicial Council, led by its Chairman, Gregory Smith, our former Attorney General, rejected the idea of low bids in awarding these contracts. Instead, we determined, based on the Public Defender experience, what a reasonable, average unit cost of service should be, and invited applicants for the contracts at a cost that we determined to be facially fair. We then interviewed all lawyers who were interested in being awarded this kind of work. Through that personal interview process, contracts were awarded to those people that a majority of the Council thought were capable, trained and interested in providing high quality legal service to the clients that were to be served. We have also left room in that program for the unusual case, so that a lawyer faced with a problem for a client that falls beyond the expectation of reasonable costs, can apply for additional compensation so that that lawyer might do a complete job for that client.

The cutting edge of change requires the freedom to be innovative and different. Legal services for the poor should be designed to encourage, not eliminate, that kind of creativity.

When I assumed the office of President of the Bar of New Hampshire, I was given a stewardship of an organization that has been committed to the delivery of legal service to the poor for many years before I became its leader. Regardless of my personal beliefs about the delivery of legal service to the poor, I assumed with my office an obligation to take a wider and more global view. For example, I am a senior partner in one of New Hampshire's largest law firms. The activities of New Hampshire Legal Assistance in lobbying could easily be described as seeking results that are against my self interest and perhaps those of my or my partners' clients. I do not believe that I, nor any of us in public service, can put our personal needs, or those of our friends, ahead of our broader public responsibilities. I am sure that you take a similar view.

You are directors of a national organization that was developed specifically to meet the needs of the poor in this country, for access to lawyers and our institutions. Regardless of your personal beliefs about whether that is right or wrong, I believe that you will and do set aside your personal feelings and discharge the public duty that your office has thrust upon you. I hope that you are planning in your meetings ways to better serve the poor: to discharge the public responsibility that we have rather than directing your energies to ways of reducing or negating the good work that has gone before. No society should be shy of self-examination under bright light. Legal assistance to the poor, adequately funded and adequately staffed, helps to keep that light shining brightly and helps all of us to become proud and stay proud of the way our society operates.

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You are in Yankee country. We are self reliant, proud, conservative people. We say little and confide less. We do not like to ask for help, and we usually wait until spoken to before we offer advice, or encouragement. But once you get to know us, the people of New Hampshire are warm and caring, and are willing to give a lot for each other. We mistrust government. We have a 424 member Legislature, a people's Legislature. We guard our liberties very carefully. Our liberties are inextricably entwined in the business of government. We believe that all of our citizens should have access. The Legal Services Corporation can help to ensure it, and as its Board and its officers and staff, you can get that done. I hope that you will.

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[*] *(The LSC Board recently reversed a decision to reduce the Pro Bono Referral System's funding by 21.6 percent.)*

STATEMENT OF MICHAEL S. GRECO, PRESIDENT
MASSACHUSETTS BAR ASSOCIATION

Before the Legal Services Corporation Board of Directors
October 11, 1985 -- Gilford, New Hampshire

Chairman Durant, Members of the Board, Ladies and Gentlemen. As President of the Massachusetts Bar Association, I welcome this opportunity to address: (a) what we in Massachusetts are doing to deliver legal services to the poor; (b) how members of the private bar in Massachusetts have worked together with the legal services programs you fund; (c) why we urgently need increased federal funding and support for our Massachusetts legal services programs if we are not to negate our valuable local efforts.

I also want to impress upon you that support for legal services is not just a poor people's issue, or even a lawyer's issue: it is a children's issue, too. Most poor people today in Massachusetts are women and their children -- 55 percent of the poverty population in 1983, an increase of 17 percent since 1970. These children, who we would all agree are the most deserving and the most "truly needy" of our poor population, are the actual victims of cuts and level funding of legal services.

Because poverty-stricken children in Massachusetts desperately need a voice, this year the Massachusetts Bar Association will establish a multi-disciplinary task force on the legal needs of children in our justice system. The task force will address the many ways in which the legal profession can do a better job of caring for our children under our system of justice.

These efforts will all be for naught, however, if funding cuts and lack of support deprive these children of effective access to our justice system.

1. INTRODUCTION

It is my honor to serve as President of the Massachusetts Bar Association during the 75th Anniversary year of the Association. During the past 75 years the MBA has grown to include more than 16,000 lawyers in its membership (two out of every three practicing lawyers in the state). Although the Legal Services Corporation Act is only 11 years old, the history of organized efforts to provide legal assistance to the poor is over 80 years old in Massachusetts. The Massachusetts Bar takes seriously its tradition of commitment to equal justice for all. Our collective obligation to ensure that every poor citizen has access to legal services is no longer a question to be debated. It is now a moral commitment that cannot be broken. Since the recent reductions in federal funding for LSC, the organized bar, the Commonwealth and local public and private sources of support have responded across the board with greatly increased funds for legal services.

2. MASSACHUSETTS EFFORTS

In 1983 the Commonwealth of Massachusetts established the Massachusetts Legal Assistance Corporation ("MLAC") to distribute funds to civil legal services programs. MLAC now provides over $1 million each year collected from a surcharge that is added to the filing fee on all civil actions filed in

Massachusetts courts. The Massachusetts Bar Association supported, as did other bar associations, the passage of the MLAC statute and it nominates members of its Board of Directors. I know that earlier this year you heard from the then Chair of the MLAC Board, David E. Rideout, and the Executive Director of MLAC, Lonnie A. Powers. I will not repeat here the detailed description of MLAC's operations which they gave you.

In addition to the filing fee surcharge funds, which are distributed by MLAC for a wide range of legal services activities, the Commonwealth appropriated for this fiscal year approximately $1.25 million for targeted legal needs of the poor. Most of these funds are used to provide representation for persons denied coverage under the social security disability and supplemental security income programs. This effort, the Disability Benefits Project, is in its fourth year. Additional state funds were appropriated this year to provide representation for those elderly and disabled persons who have been improperly denied Medicare coverage.

In May 1985 the Supreme Judicial Court of Massachusetts, acting on a joint petition from the Massachusetts and Boston Bar Associations and the Massachusetts Legal Assistance Corporation, approved the establishment of a voluntary Interest on Lawyers Trust Account ("IOLTA") program. The three petitioners, as the Court directed, each nominated three members to an IOLTA Implementation Committee and the Court has appointed the Committee. The program should be fully operational by early 1986. By the Court's Order a minimum of 50 percent of all IOLTA funds will go to support the delivery of legal services to the poor. I expect that the percentage devoted to that purpose will be substantially higher than 50 percent.

Legal services programs in Massachusetts also receive support from local governments, voluntary contributions from attorneys and law firms and from the United Way and other charitable organizations. This support is graphic evidence of the depth of commitment in Massachusetts of the organized bar and the citizens of Massachusetts to provide a full range of legal services to meet the most critical legal needs of the poor.

3. BAR-LEGAL SERVICES COOPERATION

The Massachusetts Bar Association and the local bar associations participate in the governance of Massachusetts legal services programs by appointing a majority of the members of the boards of directors of the LSC-funded programs in the state. The MBA appoints the majority of the members of the Board of the National Center on Law and Education (which is one of the two national support centers located here) and of the Board of the state support center, the Massachusetts Law Reform Institute. Local bar associations appoint the majorities of the boards of the other programs throughout the state.

The attorneys we have appointed to these Boards represent a broad cross-section of the bar. They are from large firms and small firms, from rural areas, small towns and from Boston, from the trial bar, corporate law departments, law school faculties and government practice. These local attorneys, Republican and Democrat, conservative, moderate and liberal, serve on the boards of legal services programs and determine the priorities of those programs.

Thousands of Massachusetts attorneys are directly involved as partners with legal services workers in the direct provision of legal assistance to eligible clients. A strong and growing partnership has been provide training and support for public and private attorneys. LSC support for these centers, which do not have ready access to alternative funding, is even more critical than it is for the local programs. State funding for legal services is restricted to use within the Commonwealth and is therefore not available to the national support centers. While the Massachusetts Law Reform Institute receives continuing support from MLAC, it has, by its nature, much less ability to obtain funds from the United Way, local governments and other local sources of money than do local direct service programs. The need for support centers in other states means that state support funding should be increased, not that proven valuable programs should be cut. "Robbing Peter to pay Paul" is neither wise nor economical.

6. NEED FOR INCREASED LSC FUNDING

The continued success of local direct service programs and state and national support programs depends on adequate levels of LSC funding. Through state, local and private initiatives, Massachusetts provides either 53 percent (1985 Field Program Data, Legal Services Corporation) or 38 percent (Massachusetts Legal Services Corporation estimate based on budget submissions in July 1985 applications for funding) of the total budgets of all LSC-funded programs in the State. Either percentage puts us among the top few states in the country in terms of local support for such programs. But this is not enough.

Massachusetts, perhaps more than any other state, devotes enormous nonfederal resources to legal services for the poor, both funds and volunteer time, but there is still an enormous gap which only the federal government can fill. We are still forced to turn away too many eligible clients with real legal needs because we have not enough lawyers and paralegals to represent and counsel them. The Massachusetts Legal Assistance Corporation has estimated that all of the joint efforts of the bar and legal services programs *combined* in 1984 were able to meet only *20 percent* of the legal needs of the poor in Massachusetts. The figures contained in the 1985 Field Program Data Book credit Massachusetts with 3.02 attorneys per 10,000 poor people in the state. While well above the national average calculated by LSC of 1.62 attorneys per 10,000 poor, that ratio is woefully inadequate by comparison to the number of attorneys serving the general population. The 1980 census counted 5,733,037 residents of Massachusetts. If a conservative estimate of 22,000 Massachusetts practicing attorneys is used, in 1980 there were 26 attorneys for every 10,000 residents – over eight times the number available for poor people. It is quite evident to the Massachusetts Bar Association and to all bar associations that have tried to fill the void caused by reduced federal funding, that local support limits have been reached and that the federal government must face up to its responsibility.

7. CONCLUSION

Congress is now considering an appropriation for LSC for this fiscal year which, at your request, contains no increase in funds. As a result, the purchasing power of LSC funds granted to local programs this year equals only about 70 percent of the 1981 funding. Your failure to request additional funding is both incomprehensible given the demonstrated need for increased funding and extremely discouraging. Reduced federal funding effectively negates our local efforts and sends the regrettable message that increased state funding will only produce a smaller federal contribution. The inevitable and intolerable result of that policy is a downward spiral of funding. Perhaps most disturbing of all, you are considering, forged between the legal services programs and the private attorneys who participate in *pro bono* and compensated projects established by those programs.

In Massachusetts, access to training, assistance from knowledgeable legal services and private attorneys, substantive legal support from the state and national support centers are made available to all participating private attorneys. A knowledgeable estimate of the value to private attorneys of such support and assistance in 1983 (the last year for which complete information is available) is $200,000. Fee generating and sliding fee scale cases produced an estimated $230,000 in fees to private attorneys that year. Programs will also directly pay reduced fees totaling approximately $200,000 to private attorneys in the period from July 1, 1985 through June 30, 1986.

The partnership between local bar associations and local legal services programs is evidenced by the endorsements and assistance in recruitment for private attorney involvement programs given by the bar associations. Private bar programs in several areas of the state are joint efforts of the local bars and the local programs. In Worcester County, for example, the legal services program and the Worcester County Bar Association have jointly planned and administered a volunteer lawyer program since 1978. Both LSC and the American Bar Association have recognized the merits of this joint effort by awarding special grants for its support.

4. PRIVATE ATTORNEY INVOLVEMENT

The proposed Private Attorney Involvement Regulation (PAI) you are considering is a significant improvement over the early drafts. However, I believe that rigid federally imposed mandates on PAI are unnecessary and even harmful. Bar associations and the LSC programs in Massachusetts have become partners in the delivery of legal services to the poor in voluntary cooperation with one another. These partnerships grew up out of a mutual recognition that the legal needs of the poor could not be met solely by the efforts of the publicly funded programs. The 10 percent guideline and the training, technical assistance and guidance provided by LSC during 1982 assisted greatly in establishing these partnerships, while leaving decision-making to local control.

I recommend that you adopt a flexible approach to private attorney involvement. Particularly now when the majority of the board members of all LSC programs are appointed by bar associations, it seems unwise to restrict so rigidly the decision-making authority of these same boards. At a minimum, you should include in the regulation a flexible waiver provision consistent with the recommendations of the American Bar Association and consistent with local control. To do otherwise would be to denigrate the wisdom and the commitment of the lawyers all over the country who serve on the boards of LSC-funded programs.

5. OPPOSITION TO REDUCTION OF SUPPORT CENTER FUNDING

The state and national support centers located in Massachusetts are essential components of the overall legal service delivery system. I strongly urge you not to reduce funding for these vital programs which because you did not request increased funding from Congress, shifts in funding away from the state and national support centers which have proven themselves vital to the effective delivery of legal services to the poor by local programs. Again we strongly urge you not to reduce funding for our state and national support centers.

You will soon be considering the request you will make to the Congress for the appropriation for the fiscal year beginning next October 1. As you do so, I ask you to remember the state, local and private funds with which we augment the national effort that you are the stewards of, remember the thousands of private attorneys across our state who, either *pro bono* or at greatly reduced fees, assist in the representation of the poor, and I ask you never to forget the numbers of our poor citizens who are denied, every day, effective access to the legal system established to protect their rights.

As you remember these things, you will, I trust, recognize that it is your duty to extend your every effort to achieve increased funding for LSC. At a minimum we must at least recover the ground lost since 1981. If you do so, you can be assured of my support, the support of the Massachusetts Bar Association and, I believe, the support of the vast majority of lawyers and other citizens in the country.

Thank you again for the opportunity to address you on behalf of the Massachusetts Bar Association.

STATEMENT OF WILLIAM O. WHITEHURST, JR., PRESIDENT-ELECT STATE BAR OF TEXAS

Before the Audit and Appropriation Committee
of the Legal Services Corporation Board of Directors
December 18, 1985 – El Paso, Texas

I come here today on behalf of the State Bar of Texas. I come here to welcome you on behalf of the Supreme Court of this State, which manages our State Bar; on behalf of the Board of Directors of our State Bar; on behalf of our current President, Charlie Smith, who, with regret, was unable to be here today because of previous commitments.

I would like to take just a little time to give you some particular history of legal services in Texas. I understand this is a fairly new Board and a fairly new staff, and I don't mean to be presumptuous or impose on your knowledge already, but I would like to give you some background for purposes of my later remarks.

The State Bar of Texas has 44,600 active members. We are the second largest unified State Bar Association in the country and have been in existence since 1939.

By "unified," of course, I mean that all licensed lawyers belong to the State Bar in Texas. Almost 25 years ago, in 1961, the State Bar of Texas sponsored a survey of existing legal aid facilities within the State and published its results in the May 1961 Texas Bar Journal.

The survey reflected Texans' attitudes towards legal aid as well as a recent shift from a rural to an urban population. By 1961, about 47 percent of the people in Texas lived in 26 cities. And the time honored legal aid method of uncompensated attorney help to individual needy clients was no longer functional.

Social welfare workers unanimously agreed that the average needy person did not know where to get legal advice. Most of the lawyers surveyed were unaware of what services were available and to whom they were available. The lawyer responsible for the survey characterized the need for legal aid in Texas as acute.

The May 1961 Texas Bar Journal contained not only the survey but also statements by prominent attorneys urging the Bar to provide effective and complete legal services to the poor. This spurred new activity in Texas so that, five years later, there were 32 local legal aid offices in operation. Nonetheless, it was not until the federal Office of Economic Opportunity began funding legal services for the poor in 1965 that the supply started approaching the demand.

Among the early OEO grantees were the Houston Legal Foundation, a program sponsored by the private bar; the Travis County Legal Aid and Defender Society sponsored jointly by the Travis County Bar Association and the University of Texas School of Law; and a program in Dallas sponsored jointly by the SMU Law School, and the Dallas Bar.

Despite the emphasis on local control, and despite strong support for the OEO program from both the ABA and President Johnson, some private practitioners in Texas remained suspicious of federally-funded poverty law programs and continue today to be hostile to such programs.

These suspicions prompted the filing of law suits to challenge the Houston program and contributed to the reluctance of many Texas communities to seek federal funding for legal aid. Because OEO funding had to be locally initiated, many areas of Texas remained unserved due to such attitudes. There were programs, however, in all of the large cities. They shared the conviction that the newly available federal dollars allowed them to meet their clients' needs better than at any time in the past.

Unfortunately, federal dollars declined between 1972 and 1975, and the Office of Economic Opportunity was dismantled under President Nixon, but the Texas programs receiving OEO funds survived this turmoil and budget cuts, and when OEO's sponsorship of poverty law programs ended in 1974, legal aid efforts in this State began receiving financial support from a new entity. This, of course, was the Legal Services Corporation, the management of which has been entrusted to your stewardship.

One of LSC's major goals was to ensure that quality legal services for the poor were distributed evenly geographically. In Texas, this meant that existing programs extended their service areas and new programs were created, including programs to reach specific populations such as migrant farm workers.

Many of these programs, among them Texas Rural Legal Aid, East Texas Legal Services, and West Texas Legal Services, are large programs covering enormous geographic areas. Suffice it to say, Texas is a large state. Others, like Bexar County Legal Aid, and El Paso Legal Aid, serve only one county, but are by no means small programs. Funding levels for these Texas programs increased in both 1979 and 1980, as LSC continued its campaign to achieve geographic coverage.

By 1980, LSC-funded programs covered every county in the State. Each of the LSC funded programs has continued to be locally governed with boards composed of lawyers and law professors appointed by local bar associations and client representatives from the program service area.

In 1982, the reduction in federal funding for legal services resulted in a reduction of $4.5 million in Texas. In rare instances, local governments or united organizations have made up a portion of the losses. All programs had to decrease staff and cut back on the number of clients served and the types of cases handled.

One result of the cutback in federal funding has been a renewed partnership between the private bar and legal services programs. Evidence of this partnership can be found on all levels: national, state and local. One example is the State Bar of Texas' efforts to establish an IOLTA, Interest On Lawyers Trust Accounts, program. In 1984, the State Bar petitioned the Texas Supreme Court to institute IOLTA, which they eventually did, and they instituted it in Texas on a voluntary basis.

We are currently in the implementation stage, and I have said expansion of IOLTA is one of the goals of my presidency. The Texas legal services programs and local bar associations also have initiated a wide range of projects involving private attorneys, including *pro bono* referral systems and contractual arrangements with individual attorneys on a reduced fee basis.

Another offshoot of private attorney involvement was the establishment of Texas Lawyers Care. Texas Lawyers Care is a program sponsored jointly by the State Bar of Texas and the LSC funded programs in the State. It is designed to assist local bar associations legal service programs, and individual attorneys interested in developing a *pro bono* or private bar involvement project. With the exception of El Paso, where we are meeting today, each of the communities implementing *pro bono* has elected a voluntary program. The Bar and Bench of El Paso chose to adopt a mandatory *pro bono* program.

In the Spring of 1983, the State Bar of Texas organized a statewide Bar Leaders Conference. The purpose of the Conference was to provide input to the Bar President regarding issues that would be facing the State Bar of Texas. One of the four major concerns targeted was the delivery of legal services to low income clients. The idea to conduct a statewide legal needs assessment came from the Bar Leaders Conference.

The findings of the 1983 Legal Needs Assessment showed that less than 10 percent of the indigent persons in Texas needing legal assistance were receiving such assistance. The majority of clients receiving legal representation were Hispanic and had incomes below the poverty line. The Needs Assessment calculated that of the approximately 470,000 poor persons requiring legal assistance in Texas, out of an estimated poverty population of 2,036,000, only 42,000 clients were served each year.

These numbers have changed slightly over the past two years, yet the percentages are similar. It should be noted that Texas has experienced the "newport" due to the oil turndown, failing farm economy, and a depressed economy along the Texas-Mexico border.

The need in Texas for civil legal services was and is great. As an example of this need, I would point to the plight of the Texas farm worker. According to a 1983 report published by the Joint Commission of the Texas House and Senate on Farm Worker Insurance, there are approximately 500,000 farm workers and dependents in Texas, ninety-two percent of whom are Hispanic.

Three-quarters of the workers live in the Rio Grande Valley and are classified as migrant workers. Of these workers and these families, 80 percent live below the federal poverty level. Less than ten percent of their children graduate from high school, which is not surprising given the fact that migrant children are not covered under existing child labor laws.

Further, housing in the colonious, which are unincorporated rural subdivisions, where migrant workers and their families live, is grossly substandard with an estimated one-half the units lacking treated water or indoor toilet facilities. It is a credit to the Legal Services Corporation that it recognized the difficulties in serving this population, and devoted special funds to protecting what rights migrant farm workers in Texas and elsewhere do have.

I see from the proposal that you are considering reducing these funds by over $2 million, and I would urge you not to do so, at least not in the absence of a careful and thorough review of the issue. It is clear to me that any reduction in funding would have a profound effect on this most vulnerable of populations, the majority of which exist in Texas.

If low income Texans are to have access to the justice system, then additional resources are desperately needed in the form of both financial support and increased representation by the private bar. The

State Bar of Texas, through its IOLTA Program and through Texas Lawyers Care, is working to alleviate these needs. Nevertheless, the primary source of legal assistance for low income Texans has to be the statewide network of LSC-funded staff attorney programs. Indeed, they are the backbone of our Texas effort, and provide the continuity which is so critical to the task of this magnitude.

We in Texas are concerned. The lawyers in the State Bar ask that the Legal Services Corporation Board not exhibit a lack of commitment to the concept of equal justice by a failure to request increased funding for 1987.

The approval of the Gramm-Rudman Deficit Reduction Act makes your funding request to Congress even more significant. The Gramm-Rudman Act will deal with the overall economy when the formulas are applied to assist in reducing the deficit. There is no question that all agencies must do their part to assist in reducing the federal deficit.

Such reductions, however, must be based on solid figures and facts. You must submit a budget request which is both accurate and adequate. To submit a budget far below the needs of the poor would be in contravention of your mandate as Board members to provide equal access to justice. To cut the budget significantly prior to submission to Congress not only would reduce representation of the poor, but would subject the Agency to double budget cuts when the Gramm-Rudman formulas are applied.

The continued ability to serve the legal needs of the poor depends on sufficient levels of LSC funding for the direct service field programs. Texas will do everything within its power to assist with an effort to provide legal representation. However, the Federal Government must provide adequate funding to ensure the Constitutional guarantee of equal access to justice.

Your agenda includes the establishment of a Fiscal Year '87 budget mark. I urge you to recognize the enormous unmet need for civil legal services that exists in Texas and elsewhere and to establish a budget that, at the least, restores field programs to their pre-1982 funding levels.

I want to mention a few other things, if you don't mind, that are not a part of my prepared text. I have had the opportunity to sit here for a few hours and observe the proceedings. This is the first time I have had the opportunity to do so.

I understand, I think, and I appreciate your frustrations that this is a task of great magnitude and of great importance. Before I became a lawyer, I was educated as a pharmacist. It always bothered me when I was studying pharmacy that we were taught that the patient was not to be told certain things.

We were taught to take the prescription from the doctor and to type it up with a number. We did not put the name of the medication on the prescription label. We gave the medication to the patient, and if the patient were to ask the pharmacist what this is, what are the side effects, we were taught to refer that patient to the doctor, knowing that the doctor would only tell that patient what he or she wanted the patient to know.

The premise was that the public was not sophisticated enough to understand medical vocabulary, understand side effects. The Physician's Desk Reference was always to be kept behind the pharmacy counter, and that's the way we carried out our medical profession for a while.

We've seen a great change in that. We see now that the emphasis is the other way: that the patient is educated, that we take into consideration and recognize that our society is more educated; they are able to understand and able to deal with this information. And they have a right to it. We have seen that by doing so, we have a healthier society, medical-wise in this country. And that is well documented.

The same thing applies to law, and I think that is one thing I have seen in Texas that I want to bring to this Board's attention that legal services have provided to the poor. They have been an education to the poor. It is our one way of educating these people about what the laws in our society are, what they must comply with, and that ignorance of the law is not an excuse.

It is not any longer something we feel that only lawyers should know uniquely. And I think this is something that goes unheralded about legal services -- the service that it indeed provides. I sincerely believe that we will find we have a healthier society, legal-wise, social-wise, as this education continues to be imparted.

The second thing I wanted to mention to you is that we have a unique system in Texas that requires the one who runs for the State Bar Presidency -- there are two nominated -- to go throughout the State before the statewide election. They are required to go all over the State and meet lawyers, talk with them, visit in their offices. The theory is that by doing so, those candidates, one of which will be the President, will gain some insight into the law practice in this State and will be better able to lead and govern the State Bar of Texas.

I have had the opportunity to do that twice: once in 1982 as a candidate for President of the Texas Young Lawyers' Association, which does likewise, and most recently in 1985, when I went around this State. And it is a large State, and there is a great diversity in the way law is practiced in this State. One of the things that I had the opportunity to do was to go into the offices of the different legal services, the different legal aid offices throughout this State. I had the opportunity to meet and talk with these lawyers who are in the trenches, who are dealing with people on a daily basis, who are understaffed, who are overworked, who are underpaid, who do not have the equipment that even comes up to the most basic of law offices, as you and I know them, those of you who are lawyers and those of you who practice the profession. I am a trial lawyer and I practice in the trenches, as well, but I must say, on a much higher level financially.

And it disturbed me that it seemed that the theory of poverty law was that you had to be a lawyer in poverty in order to practice it. I do not feel that that is necessary. I feel that the service is great; that we have some truly dedicated people in the trenches.

I had the opportunity of serving on the Governor's Select Committee on the Judiciary. Through that, it was necessary for us to get certain information from legal aid entities throughout this State. Likewise, with the State Bar, it is necessary for us to call upon these groups and these lawyers to provide us with information and help us on certain projects and things we need. I can't speak for the other states, but I can tell you in Texas that we get good responses from these people. They bend over backwards to help us. Any information that this Governor's Committee needed was provided immediately.

A simple phone call, or a simple letter resulted in incredible cooperation, and I learned that a lot of the concerns that were mentioned by Texas lawyers about legal aid, and a lot that were mentioned on the Board and in the legislature about legal aid, were concerns that had no basis in fact. They were concerns that did not come from sitting down and talking with these people and visiting in their offices, from understanding their problems and their responsibilities and their obligations.

And I listen here today and I am concerned about the atmosphere that exists between you and the people out in the field. And I am concerned about a young staff who I would encourage to take the time to do what I did. Go out and visit with your people and visit their offices; spend the day with them and go to the courthouse with them, and sit down and talk with these people who have problems beyond problems, and get an understanding of the difficulties that they have doing their job.

They are under-financed, and they will probably always be under-financed, but they deserve a little bit of support and understanding. I know your job is frustrating and I appreciate that. I understand a new staff job is frustrating, but I also know that it's frustrating to do what these lawyers are doing out in the trenches. I've been there; I've seen it, and I ask you to have some compassion and understanding for that.

They are involved in a business that must run on a daily basis, that they must plan for, just like you and I must plan for our firms, and they need help in that, and they need some continuity, some solid foundation on which they can go about their business from day to day. I trust you will take that into consideration when you make your budget, when you decide issues that affect these people.

I believe, and it has always served me well, that communication is the key. Taking the time to understand, as we say in Texas, the moccasins that someone else walks in. And I ask you to do that on behalf of the poor people in this State; I ask you to do that on behalf of the legal services lawyers who are serving in these difficult positions; and I ask you to do it on behalf of the State Bar of Texas because we need your leadership, we need your stewardship, and we need *your* commitment as our commitment to the poor who need legal services. And I think if we do that, we will find that we have a healthier and a better society to live in.

The Legal Services Corporation Has Public Trust To Ensure *Minimum* Access to Justice for Poor

by Gail Kinney

New Hampshire Bar Association Executive Director Gail Kinney presented the following address to the federal Legal Services Corporation (LSC) Board's Audit and Appropriations Committee at its December 18 meeting in El Paso, Texas. Approximately 65 percent of New Hampshire Legal Assistance's funding comes from LSC, and the New Hampshire Bar's Pro Bono Referral System receives approximately 55 percent of its funding from the Corporation.

My name is Gail Kinney. I am the Executive Director of the New Hampshire Bar Association. I appear before you on behalf of L. Jonathan Ross, President of the New Hampshire Bar Association and the New Hampshire Bar's Board of Governors. Actually, I feel as if I am among colleagues and friends. I believe we began a dialogue in Gilford, New Hampshire -- and with some of you our dialogue began before that -- which was both productive and positive. The fact that the lawyers in New Hampshire believe in maintaining and want very much to maintain that dialogue is borne out by my presence before you today.

The New Hampshire Bar was grateful to get the invitation, conveyed through Joel Thimeli, to appear before you in Anaheim to discuss the 1987 budget mark. We were even more grateful to learn of your postponement of the budget mark discussion until today in El Paso because the new time frame allowed our own Board to discuss the mark and the direction of the Corporation in some depth prior to your Committee meeting.

My Board has sent me with a resolution which I would like to present to you now. After some in-depth discussion, our Board unanimously resolved:

> **WHEREAS** *the New Hampshire Bar Association is firmly committed to the principle of equal justice under law; and*
>
> **WHEREAS** *the New Hampshire Bar Association believes that the nation's commitment to equal justice is best carried out through a strong and independent Legal Services Program; and*
>
> **WHEREAS** *federal funding for civil legal services to the poor was cut by 25 percent in 1982 and has not yet been restored even to the funding levels of 1981;*
>
> **NOW THEREFORE BE IT RESOLVED** *that the Board of Governors of the New Hampshire Bar Association strongly urges the Legal Services Corporation to seek substantially increased funding from the Congress so that it may provide adequate funding for local legal services programs to render adequate and quality legal assistance to the poor.*

While our Board did not use a budget figure but rather urged you to seek *substantially increased* funding, I believe, were they to hear what you will hear tomorrow from the Project Advisory Group about 1987 funding needs, they also would unanimously urge you to accept the Project Advisory Group's recommendations. I understand we will hear advocacy for a budget mark of $385 million. In fact, a budget mark of $385 million for 1987 is probably a bare minimum of the definition of *substantially increased* funding.

Rather than focus on numbers, however, I am here before you primarily to convey the New Hampshire Bar's -- the private Bar's -- the organized Bar's --concern about the *process* you use as a Committee and a Board to arrive at the budget mark and about the underlying *philosophy* which motivates and guides your decision-making. We are deeply concerned about what that process and that philosophy have been in the past. We do *not* know what it will be today and tomorrow. However, we are hopeful that you are ready to chart a different course than you have chosen before. I am here on behalf of one state bar -- a cautious and conservative state bar at that -- but perhaps a very representative state bar. I am here to urge that it is time for a change; it is time for a new direction; it is time to choose an entirely new Corporation path, beginning with the 1987 budget mark.

Rather than focus on numbers, however, I am here before you primarily to convey the New Hampshire Bar's– the private Bar's– the organized Bar's– concern about the process you use as a Committee and a Board to arrive at the budget mark and about the underlying philosophy which motivates and guides your decision-making. We are deeply concerned about what that process and that philosophy have been in the past. We do not know what it will be today and tomorrow. However, we are hopeful that you are ready to chart a different course than you have chosen before. I am here to urge that it is time for a change; it is time for a new direction; it is time to choose an entirely new Corporation path, beginning with the 1987 budget mark.

You as a Board, and when I speak of the Board I obviously also am speaking of your predecessor Boards, have tried all kinds of stances in your approach to "the field" and to the mission of the Corporation. You have tried setting a mark to incorporate deep funding cuts across the board; you have tried the defunding of certain components and communities; and for 1986, and it appears 1987, you have tried funding freezes.

We wonder, however, if you feel good about what you have done. We wonder if you feel good about how you have been received by Congress, by the private Bar or by the legal services community. Or we wonder if you feel frustrated, or perhaps occasionally even embittered or a little angry, about the reception from these three sectors.

We understand that Robert D'Agostino, a Corporation monitor and consultant has gone so far as to put his frustration about that reception in writing. He talked of the failure of the Reagan administration "to (adequately) articulate the reasons for (its) opposition to at least certain elements of the legal services network" and he wrote, with apparent frustration, that "most local legal services programs are seen (by the private bar and the Republican establishment) as serving a need and doing it well." Interestingly, not even knowing at the time about the D'Agostino letter, Jon Ross told you on October 11 that New Hampshire Legal Assistance -- New Hampshire's basic field, staff-attorney program -- is now one of the state's institutions "well respected and well regarded (and that) the job it is doing needs to be done." If nothing more, rest assured that Bob D'Agostino's "intelligence reports" from the private bar, at least in terms of how the private bar regards legal services, are accurate!

Bob D'Agostino also warns that there will be substantial opposition to the dismantling of the staff attorney model -- substantial opposition, he says, not "from the leftist (legal services) leadership but . . .from those pillars of the community who generally go Republican." LSC monitor and LSC consultant D'Agostino's solution is to counsel the LSC administration to get down to the grass roots, to get down to the local level and to try to "mix up (legal services) with the left." Knowing of consultant D'Agostino and monitor D'Agostino's approach, one cannot help but wonder if that is what 17-member LSC monitoring teams who demand home phone numbers of all field program staff members of the past five years are all about.

The private bar - the organized bar -- and that is why I am here - would counsel you to forget the D'Agostino approach. At best it is an anachronism. At worst it is an outrage. It will not work. It has not worked. It truly is time for a different approach this year.

Let me pause at this juncture to reflect on a conversation I had with Clark Durant in Charlotte, North Carolina in March of 1985 at the American Bar Association's renowned Pro Bono Conference. I asked Clark about his goals for the Corporation as chairman and about your goals as a Board as you sought to become the first confirmed LSC Board in four years. He outlined his and your goals as being, and please understand that I am paraphrasing, (1) to repair relations with Congress; (2) to reach out to the organized bar and work closely with it; and (3) to explore innovative delivery systems.

Let me suggest, as you may also have perceived, that your relations with Congress have not adequately been repaired. I know some of you must be frustrated by the most recent LSC appropriations process, the accompanying conference committee report and the whole legislative history surrounding that process.

Let me also suggest to you that all is not well between you and the private bar. I know you must be frustrated as the best of the legal "blue chip stock," the mainstream of the private bar (remember, LSC consultant D'Agostino calls them "those pillars of the community who generally go Republican"), come before you in New Hampshire, Florida, Texas and everywhere you have gone recently -- and as they gather in ABA committees -- to embrace the legal services community and to stand shoulder to shoulder with it in trying to ward off hostility, funding cuts or increasingly burdensome, cynical and nonsensical Corporation regulations.

And let me suggest that the *true* innovation which is going on -- the innovation of the *existing* legal services community as the best and the brightest legal services minds in the country try to provide true justice, dignity and hope for the poor -- is not being enhanced but is being *thwarted* by the Corporation as program energy is drained by having to haggle over funding cuts, excessive or inept monitoring or other bureaucratic demands rather than on the provision of justice to the poor. The Delivery Systems Study programs (you now call them supplemental field programs), of which we in New Hampshire are a part, know as well as any how the energy we need for delivery systems innovation -- which is what we are all about (do not forget you have funded us as national models) --can be quickly zapped when we are blindsided by threatened LSC funding cutbacks.

Interestingly, all we ask of you at this point is to endorse minimum access to justice. Minimum access is not adequate access, it is not equal access. It is what it says -- rock-bottom minimum access. And to the extent that you, as Board members -- who as Jon Ross said "have a sacred trust with heavy responsbility" - decline even to endorse minimum access, the private bar, including the New Hampshire Bar, will continue to be appalled, dismayed and forced to act in opposition to your fiscal recommendations.

So, have you repaired relations with Congress in the last year? Have you *improved* your partnership with the private bar? Have you *truly* contributed to delivery systems innovations? If not, or if not to the extent you had hoped or dreamed, please let me suggest again -- perhaps it is time to try a different Board approach.

I am sure you are wondering why I am here, why I have traveled all the way from New Hampshire to extend this message. Let me dispel any misconceptions first. I am not a long-time member or even a short-time member of the so-called "legal services community." Jon Ross is not either. To the extent that we know the legal services people in this room, it is because we met them in New Hampshire when we were privileged to host your October Board meeting in our scenic state. Jon Ross is a state bar president. I am a state bar executive. So why do we care? Why is it so important to maintain dialogue with you, to try to reason with you about the 1987 budget mark? It is because of a little, sometimes elusive concept called "justice." It is perhaps the one thing that LSC consultant D'Agostino missed in his August 16th "intelligence report" of what bar leaders are thinking in New Jersey, Pennsylvania and Michigan. It is the tie that binds. Bar leaders and both the pillars and the newcomers to the legal profession overwhelmingly have a vested interest in the fair administration of justice. And their vision of justice cannot be complete, cannot be fulfilled, without the individual legal services staff attorney working diligently on the local front and without a firm *national* commitment to equal access to justice.

Interestingly, all we ask of you at this point is to endorse *minimum* access to justice. Minimum access is not *adequate* access, it is not *equal* access. It is what it says -- rock-bottom minimum access. And to the extent that you, as Board members -- who as Jon Ross said "have a sacred trust with heavy responsibility" --decline even to endorse minimum access, the private bar, including the New Hampshire Bar, will continue to be appalled, dismayed and forced to act in opposition to your fiscal recommendations.

We in New Hampshire are conservative, independent and feisty, but we embrace justice. I am sure all of you have heard of New Hampshire's "first in the nation" presidential primary, and if you are national political watchers you may have heard of Dixville Notch, New Hampshire, where both in that famous primary election and in every national election, the 16 or so registered voters gather together in this near-the-Canadian-border town at 12:01 a.m. on election day to cast their ballots as national, CBS, NBC and ABC television cameras roll. To my knowledge they have always gone with the national election winner. And as they say, "as New Hampshire goes, so goes the nation."

> *I would like to tell you a lot more about our Pro Bono Program, about poverty in New Hampshire, about how highly the New Hampshire Bar regards and respects New Hampshire Legal Assistance and about how minimum access to justice through a $385 million mark is about the very least you should endorse in carrying out your sacred duties as Board members. But, in the interest of time, I will close simply by trying to convey one more time that the vast majority of the legal community has already embraced minimum access to justice, and we would like you to become our partners in embracing such minimum access in 1987 and beyond.*

We are conservative, independent and feisty, but we believe in equal access to justice. We also can boast of the first organized *statewide* Pro Bono program in the country. It is one of the DSS programs (you now call it a supplemental field program) you still fund. It is innovative, it is efficient, it has a unique and admirable partnership with New Hampshire Legal Assistance. It is a national model, and "as New Hampshire goes, so goes the nation."

We are conservative, independent and feisty but we believe in equal access to justice. The whole state Bar is proud of our state bar president who, we believe, spoke eloquently and forcefully in October to try to convey to you the importance of the sacred trust you hold as LSC Board members. Perhaps Jon Ross was one of the first bar leaders to be so forceful but, as you have already experienced, he will not be the last, for "as New Hampshire goes, so goes the nation."

The people we send to Congress are generally conservative, independent and feisty. As you well know, Gramm-Rudman notwithstanding, our junior Senator has been *THE* national leader in trying to insure that the concept of access to justice for the poor is preserved and not tampered with. He has been in front and he will remain out in front on this issue, but he has not been alone, and the group beside him and behind him is growing, for "as New Hampshire goes, so goes the nation."

I would like to tell you a lot more about our Pro Bono Program, about similar DSS programs, about poverty in New Hampshire, about how highly the New Hampshire Bar regards and respects New Hampshire Legal Assistance and about how minimum access to justice through a $385 million mark is the *very least* you should endorse in carrying out your sacred duties as Board members. But, in the interest of time, I will close simply by trying to convey one more time that the vast majority of the legal community has already embraced minimum access to justice, and we would like *you* to become our partners in embracing such minimum access in 1987 and beyond.

Senator Jacob Javits spoke at a recent national gathering of legal services people and summoned all the strength he could in his frail and feeble body to tell those assembled that "the quest for justice is man's greatest calling." And so it is. And it is the reason the New Hampshire Bar Association cares about what you do. If you cannot figure out why your own efforts are not clicking -- why something's just not working to date -- why there may be tension between the Board and its audiences and observers -- why even the private bar is appalled at the apparent staff antagonism toward legal services field programs - perhaps it is because you have failed adequately to factor in our calling, our belief in the quest for justice.

One of our most dedicated Pro Bono attorneys in New Hampshire -- a man named David Copithorne from a small, two-person, husband and wife law firm -- and these are not wild-eyed radicals but established, hard-working, small-town legal professionals -- wrote to us in February, 1985, after he and his wife had received accolades from us for their extraordinary Pro Bono work. He said, "It has never been our perception that we were doing anything out of the ordinary. We have always known that the Pro Bono and kindred programs of the Bar Association were among its finest achievements and reflected the highest values of the legal system." He then observed, "Most of the time we are all simply practitioners of an ancient and learned craft, and that is great. Sometimes, however, we have the opportunity to be genuine instruments of justice and that is a calling."

These are two men -- one an aging and distinguished former U.S. Senator from New York and one a small-firm legal practitioner in small-town, conservative New Hampshire -- but both understand the legal profession's calling, the quest for justice.

Now I beseech *you* as well. Try something new for 1986 and 1987. Join us in the quest. Become, for the first time, *genuine instruments of justice* as you grapple with the 1987 budget mark and all the other important work you have before you. I will look forward to working *with* you and *beside* you in this quest for justice.

I thank you.

Mr. SMITH. Does that support center serve any other State?

Mr. WHITEHURST. No, our State center is just for Texas.

Mr. SMITH. We don't have one in every State.

Mr. WHITEHURST. I understand that. I am speaking only of Texas on that. I cannot speak to the other State support staffs, but I will tell you where we have 11 programs in a State the size of Texas, it is very critical to our operation.

Mr. SMITH. Of course we are glad to have your statement. The Bar Association, generally speaking in the last five years, has been supportive of legal services. It has been very helpful, because we still have a lot of people that don't understand the need for legal services, and unfortunately we haven't had an authorization for several years other than what we put into the appropriations bill. We have been the authorizing and appropriating committee both, and I wish they would get an authorizing bill on the House floor so some of these things could be aired that would help, I think, to better understand legal services.

As far as the statement you raised concerning that being a rather naive statement by somebody who doesn't understand legislative process: We do have a statute, and the statute was written by this Committee. We put it into the appropriations bill. We don't want a bill as big, and hopefully we have understandings on reprogrammings and language in the committee. I am sure it doesn't represent the majority. If anybody thinks it does, there is a surprise concerning this.

Mr. WHITEHURST. My concern is that he may very well represent the majority.

Mr. SMITH. Thank you.

Mr. WHITEHURST. Thank you.

MONDAY, MARCH 3, 1986.

MARITIME ADMINISTRATION

WITNESSES

REAR ADMIRAL FLOYD H. MILLER, USN, RETIRED

REAR ADMIRAL J. ALYMER, MASSACHUSETTS MARITIME ACADEMY

REAR ADMIRAL A. SWARTZRAUBER, MAINE MARITIME ACADEMY

REAR ADMIRAL J. McNULTY, GREAT LAKES MARITIME ACADEMY

TIM GROUT

DAVID HATCHER

Mr. SMITH. Admiral Miller.

Admiral MILLER. I have Admiral McNulty from Great Lakes region, Admiral Alymer from Massachusetts Academy, Admiral Swartzrauber from Maine Maritime Academy, and Rear Admiral J. McNulty, and Tim Grout and David Hatcher.

I am privileged to once again testify before you. I would like to summarize our joint statement which I have submitted for the record. We are here to request your support for House Bill H.R. 4175 as introduced, which was co-sponsored by Congressman Walter Jones, chairman of the House Committee on Merchant Marine and Fisheries, and Congressman Mario Biaggi, chairman of the Subcommittee on Merchant Marine, along with Congressman McKernan from Maine.

As you know, we now have a new crisis in the nation's vital merchant marine, that of federal support for our state maritime academies. The President's budget has proposed to sever this federal student-state relationship, a relationship in existence since 1874, a relationship which has been recruiting and training new lifeblood for our nation's merchant marine for 112 years. House Bill 4175, as introduced, provides $9 million to keep the state maritime academy system in operation for the next year.

The bill does not increase the total Maritime Administration budget. It meets the requirement by adjusting funding projected for other activities within MARAD. The $9 million is not a full restoration of previous funding. It represents a reduction of 24 percent in the annual state maritime academy budgets, under which circumstances we accept. MARAD and OMB's decision to sever aid to the state academies was made without study, without review of the situation, and more importantly, without an input from the Navy and Department of Defense, and those concerned with strategic sealift, for whom we train merchant marine reservists.

This decision was made with no notice, with no regard for our aspiring students and their parents who fund their aspirations, with no regard for our present applicants, both of which do or will pay for the privilege of obligating themselves for service to our country.

I think that everyone will agree that we are cost effective. Our students pay tuition, and the states share expenses. Together they fund about 80 percent of our cost of operation. It only costs the Federal Government about $17,000 over a four-year period to produce a licensed merchant marine reserve officer at our academies. We are also cost effective in that we are maintaining federal ships which can be utilized rather quickly in an emergency to meet DOD's 17,000-trooplift requirement. The ships are widely dispersed around our nation, not in a vulnerable reserve fleet. They are at a free campus pier, getting free electricity. They are maintained by free labor, our cadets, and the states share the expenses. For example, paying for consumables such as paint, light bulbs and lubricating oil, and we even break them out once a year to operate them for training.

MARAD is eager to strike these vessels as navigable. This is clearly not in the best interests of our nation. I hasten to point out these ships are required for our cadets to meet federally mandated license requirements. At last count, 41 percent of our recent graduates were at sea, 23 percent were ashore in the industry, and about 12 percent were in the Navy. This administration talks of privatization. We submit that we are privatized. Yet we are now put in a position that we may shut down.

If our country is truly interested in saving federal dollars and to a man we agree that we should share in reductions, but reasonable reductions, we also submit why we remove the most cost-effective way of training licensed offices and merchant marine reserve officers. The states and students pay most of the costs. Should we be forced to shut down and cut off 70 percent of the nation's supply, at a time when the majority of the officers sailing today are reaching retirement age, at a time when the Navy says it doesn't have enough licensed officers in the manpower pool, we are asked to take almost a hundred percent cut. I would like to read three or four sentences out of a speech from Vice Admiral Tom Hughes, Deputy Chief of Naval Logistics to the Fifth National Strategic Mobility Conference on 6 November 1985. I think he says it very clearly:

"As recently as two years ago I used to make speeches that said we had to find ways to obtain additional shipping to meet our defense sealift requirements. In the interim I was besieged by studies that showed that sufficient manpower would be available in time of war. Today I firmly believe that our ability to meet defense sealift requirements by 1990 will be limited not by the availability of ships but rather by the availability of a trained manpower base. Unless current manpower trends in the U.S. merchant marine are reversed, we will have to seek military alternatives. The net result is not just a ship problem but also a manpower problem."

Having said all the above, we feel it is in our best national interests to restore funding for the state maritime academy system. If these funds are in fact terminated, and apparently OMB and the President's budget think that the federal support is to create merchant marine officers in times of shortage, and with no shortage it should be stopped, the support is in fact tied to the merchant marine reserve program. If terminated, the outcome is predictable. The source will dry up. Navay science courses will be eliminated, inputs to the merchant marine reserve will disappear, and as I mentioned earlier, 10 percent of our graduates go on to active duty.

Today we have six flag officers who are graduates of the schools, including one vice admiral, Commander Seventh Fleet. Because we are so cost effect, and contribute in a whole variety of ways to what should be in our view national objectives, we submit that continued federal support to the state maritime academies is not only justifiable, but is in the very best interest of our nation.

We solicit your support for H.R. 4175 as introduced, and the continued existence of the state maritime academy system.

We will be pleased to answer any questions you may have. Thank you for the privilege of testifying today.

[The statement of Admiral Miller follows:]

3 MARCH 1985

STATEMENT BY
THE PRESIDENTS AND SUPERINTENDENTS
OF THE MARITIME ACADEMIES/COLLEGES
OF
CALIFORNIA, NEW YORK, MAINE, MASSACHUSETTS, THE GREAT LAKES REGION AND TEXAS

PRESENTED TO THE

HOUSE APPROPRIATIONS COMMITTEE

SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, AND JUDICIARY

We, the Presidents and Superintendents of the State Maritime Academies/Colleges of California, Maine, Massachusetts, The Great Lakes Region, New York and Texas, appreciate the opportunity to testify relative to the Department of Transportation's proposed budget for the Maritime Administration's program in maritime education. Our major concern is the total elimination of Federal support for the State Maritime Academies opening the possibility that these schools close.

The negative impact of this decision on the State Maritime Academies and on our National defense posture has been recognized by the Chairman of the House Committee on Merchant Marine and Fisheries and the Chairman of the Subcommittee on Merchant Marine. They have co-sponsored, along with Congressman McKernan of Maine, House Bill HR 4175 which provides financial assistance in the amount of $9 million to the six State Maritime Academies. The Bill does not increase the total Maritime Administration Budget; it meets the requirement by adjusting the funding projected for other activities within MarAd. The $9 million is not a full restoration of previous funding; it represents a reduction of 24% in the annual State Maritime Academy budgets which under the circumstances we accept.

At a time when the Administration seeks to "privatize", their proposal to eliminate the State Maritime Academy program, one heavily leveraged by funds from the States and the students, is not understood.

The 1980 Federal Maritime Education and Training Act and predecessor acts make it very clear that the Federal Government has a long-lived partnership with the States supporting State Maritime Academies with equal access for residents of all States. This partnership has existed since the 1874 State Nautical School Act. It is a cost-effective method of producing licensed Merchant Marine officers for the industry afloat and ashore and for producing U.S. Naval Reserve/Merchant Marine Reserve commissioned officers. This partnership is cost-effective in that the States and the students share the majority of the schoolship costs with the Federal Government. Last year, for instance, the average cost to the Federal Government at the four-year deep-water State Maritime Academies for all its share of expenses, i.e., ship maintenance and repairs, fuel funding, student incentive payments and the $100,000 grant, was approximately $17,000 over a four year period. This $17,000 produced a Merchant Marine officer with an eight year Naval Reserve obligation.

A breakdown of costs at the Maritime Academies is attached as Appendix A.

Just as with the founding and successive legislators, it is our opinion the Federal Government has a stake in ensuring that there is an adequate level of education in naval science among operating officers of the Merchant Marine. This same partnership can produce Merchant Marine Reserve officers who are similarly qualified and available to man the Ready Reserve Fleet (RRF), the National Defense Reserve Fleet (NDRF), the Effective U.S. Control (EUSC) ships and provide necessary liaison officers and staff augmentees in time of mobilization. A system that does this with costs shared between the Federal Government, the State Governments and the students themselves is the most cost-effective for all sectors.

We believe that the Congress should provide some adequate level of support to the most cost-effective way of achieving its objectives. In terms of the Federal interest in the maritime education and training of licensed officers and Merchant Marine Reserve officers we think the criterion for determining cost-effectiveness is the Federal cost per licensed officer receiving an approved core of naval science education. We are confident that our programs justify Federal support measured against that criterion. They do so based on current cost.

The majority of current cost is related to our training ship element. The training ships, however, offer another advantage to the Federal Government within this cost. Albiet old, they are an available and ready trooplift capability that does not exist in adequate numbers elsewhere in our inventory. The Maritime Administration does not recognize this fact and is eager to strike them as navigable ships. We submit that such action is not in the national interest given our mobilization trooplift requirement. We see MarAd walking away from their legislated mandate to support the American Merchant Marine, both as a trade force and a National defense element. No more CDS for ships with defense features, no more ODS for competitive strength, Navy growth in RRF and MSC; the part that is our immediate concern is no more recruiting and training by State schools, no more state training/troopships.

With respect to the Federal assistance funds, there are certainly at least two questions that should be asked and answered before they are abandoned. They are, "What is the purpose of these Federal programs?" and "What will likely happen if they are terminated?" In the case of the Incentive Payments, the Maritime Administration and apparently the Office of Management and Budget think that these Incentive Payments are to create Merchant Marine Officers only in times of shortage; with no shortage, they should be stopped. The Incentive Payment is, however, tied to the Merchant Marine Reserve program. It provides the incentive for students to overload their academic program to take the required naval science core of courses and to commit to subsequent training and an eight year obligation to the Federal Government.

Although our Merchant Marine has been declining, it is important to note that the requirement for new officers is brighter now than it has been for years. The average age of the Merchant officer sailing today is in the sixties. Numerous retirements are imminent. It is not uncommon for our Placement Offices to receive telephone calls for senior positions they can't fill. Our afloat employment of the recent graduating classes is about 40% while about 24% are employed in the industry ashore and another 10% go on active duty in the Navy, Coast Guard, NOAA, etc. This amounts to about three-quarters of our graduates involved in the Industry or the Armed Services with prospects getting better.

The Administration's stated reason for removing support from the State Maritime Academies is an "oversupply" of Merchant Marine officers. These figures were arrived at without consultation with the Department of Defense. The U.S. Navy has voiced concern for the availability of licensed personnel given the rapid decline of the U.S. seafaring manpower base. This was not considered in this budget. Quotations from a speech on 6 November 1985 by Vice Admiral T. J.

Hughes, Deputy Chief of Naval Operations Logistics, to the Fifth National Strategic Mobility Conference, makes this concern clear. He stated, "As recently as two years ago, I used to make speeches that said we had to find ways to obtain additional shipping to meet our Defense Sealift Requirements. In the interim, I was beseiged by studies that showed that sufficient manpower would be available in time of war. Today, I firmly believe that our ability to meet defense sealift requirements by 1990 will be limited not by the availability of ships but rather by the availability of a trained manpower base. Unless current manpower trends in the U.S. Merchant Marine are reversed, we will have to seek military alternatives. ------- The net result is not just a ship problem, but also a serious manpower problem."

This concern was also noted in an April 1985 speech by Admiral James D. Watkins, Chief of Naval Operations, in which he said, "Can we allow this vital arm of sea power (Merchant Marine) to atrophy by default any further? I say no. If we do, our Nation could easily be crippled by determined foes and they know it."

As you can see from the above, there is a clear statement of need for trained merchant officers now and not just in 1990 because only the graduates of today will be able to upgrade their licenses to meet the full spectrum of the Industry's manpower requirements in the future. In the face of this need, the Maritime Administration has proposed elimination of all support for the State Academies while continuing to support only the U.S. Merchant Marine Academy at Kings Point.

What is likely to happen if these programs are terminated? We believe the outcome is fairly predictable. With the termination of Student Incentive Payments, the students will immediately petition for the elimination of their requirement to take naval science courses and will obviously not obligate themselves for eight years. Inputs to the Merchant Marine Reserve from the primary source will dry up. In addition, the approximately ten percent of our quality graduates that goes on active duty with the Navy will terminate. Today five flag officers in the Navy are graduates of the State Academies, one is Commander U.S. Seventh Fleet, another is Commander Military Sealift Command.

If the maintenance and support to the states is terminated, the states will simply reduce their appropriations to the Academies by $100,000. This, coupled with the removal of incentives for the students, will cause those State Academies without NROTC programs to reevaluate the cost and utility of the Navy program. Our continued relationship with the Navy would be unlikely and result in further estrangement between the Merchant Marine and the Navy. These perceptions of outcome are not threats or vindictive in nature and are certainly not desired by any of the schools but rather would be the natural result of the Federal Government's demonstrated lack of interest, need, support or appreciation of our programs. If you don't want us, we will be leaving.

In the rational world, if any forced reduction in capacity should be mandated, it can be through some paring down of the U.S. Merchant Marine Academy at Kings Point. This methodology was utilized by the Authorization Committee in HR 4175. Kings Point has a larger dollar base - on the order of approximately $20 million per year. It should be pointed out that the $9 million saved by not funding the State Academies will affect 3,000 prospective Merchant Marine officers at the State Academies, and an expense of approximately $20 million is planned for the 800 students at Kings Point. Kings Point is not considered by the Administration because it is owned and operated by the Administration. This position by the Maritime Administration and the Department of Transportation is indeed self-serving when the proposal is total elimination of the state school system.

If the Federal Government actually believes that there is over capacity in the production of Merchant Marine officers, then it would not continue to pay full cost to support the largest single producer of Merchant Marine officers in the Country. It could get reduced capacity and more cost savings by paring down its own institution and providing keep-alive support to the State schools.

Indeed the question could be asked, "Why is the Federal Government in the business of producing Merchant Marine officers?" It is the only case where the Federal Government pays full cost to provide operating personnel for private enterprise. That function is clearly one that is expected of state educational systems with Federal assistance to meet Federally mandated requirements, such as sea time, and is certainly not a necessary endeavor by the Federal Government. The reason for the Federal school is actually the same reason for state schools - licensed officers and Merchant Marine Reserve officers. We just do it cheaper.

For this particular Administration which is so adamant about having the Federal Government remove itself from unnecessary or inappropriate endeavors and return functions to the State, it certainly does not make sense to propose removing small Federal support from the states - $9 million - while continuing to pay approximately $20 million for the same service at a Federal institution.

In these times where the Federal Government should be looking closely at the appropriateness of expenditures and making rational decisions about cutting the Federal budget, it seems incredible that a decision by the Executive Department would be to eliminate the small state and/or student support without even examining the obviously much greater alternative saving.

Let us turn to the training ship issues.

Note that our Nation's Ready Reserve Fleet (RRF) is now being dispersed and that the dispersal sites will cost about $250,000 per ship for dock rental and services. The Academies are ready sites for such distribution of RRF ships that can serve dually as training ships - as in the case of the Massachusetts training ship - thus saving that cost per year.

These training ships can presently be called upon on short notice to help meet our Nation's trooplift requirement. There are few ships to meet this national need other than the State Maritime Academy ships. These ships are strategically located around our national sea coast with free pier space and are not nested in a vulnerable

Reserve Fleet mooring. They are cost-effectively being maintained by cheap labor (our students) with the States sharing expenses. This equation would appear to fit our Nation's budgetary problems today. What better deal could the taxpayers ask for! Loss of the ships at the Academies will not only impact on future officer training, this loss will also create an increase in necessary funds for maintenance/breakout of the present ships when they are retired to the Reserve Fleet. These ships are constantly being groomed at the campus piers now, ready to go. We request that they remain. Our Nation's two-ship passenger fleet is simply not sufficient to meet troop transport requirements in a national emergency.

By placing the present training ships in the RRF the need for activation or break-out exercise is automatically solved because they are operated every year. The cost of routine maintenance is heavily shared by the States thus further reducing the cost of RRF ships so assigned. The current average cost of a RRF ship runs about $750,000 which is not totally out of line with training ship maintenance costs.

The Navy has a mandated requirement for a sealift capability for 17,000 troops. The existing capability is far less than that. The closing of that requirement in the RRF with ships which are assigned as training ships can achieve desired dispersal at cost savings and can reduce the maintenance cost of the RRF ship while increasing its readiness. Under such a concept, the training ships at the Academies would provide the dual need at a single reduced cost. The Massachusetts training ship this year will meet an RRF capability requirement and a training ship requirement and, because it is at Buzzards Bay, will save at least $250,000 of outporting costs and $100,000 of RRF Operating costs.

The Academy Presidents urge that this cost-saving concept be utilized to the extent possible so that the training ships become no drain on Federal funds, but rather are a method to reduce costs of ships required for other purposes which are dispersed in a preferred basing mode.

The total number of graduates per year from the six state and regional academies is about 700. From among those graduates who accept

Reserve commissions, over 100 of these voluneteer for active duty in the Navy or Coast Guard. Each of these 100 accessions is achieved at a maximum total cost in Student Incentive Payments of approximately $4,500 over four years, a considerable savings to the Nation over any other source of mariners fully qualified for immediate sea duty and leadership roles. This is our Nation's most cost-effective commissioning source. For our island Nation, so dependent upon the sea and world commerce, this is a very valuable contribution to our security. Our students pay tuition and fees for their education, including training cruises, naval science courses, and attend eleven month academic years which deprive them of the opportunity for summer employment. They earn Federal licenses as well as degrees in a uniformed and disciplined environment. The respective states and industrial sources contribute the balance of academy expenses over tuition. The Federal Government's share, including student subsidies, ship maintenance and repair and fuel oil, has amounted on the average to less than twenty percent of the total cost per graduate. See Appendix A.

This sharing of effort represents one of the best bargains available to the Government, and yet the Administration seeks to reduce the Maritime Education budget by not including support for the State Academies. This very small savings to the Federal Government imposes a severe training hardship on our institutions while reducing the incentive to develop an adequate Merchant Marine Reserve component of the U.S. Naval Reserve.

We submit that the continued existence of our State supported institutions assures the most economical, cost-effective method of producing Merchant Marine officers. We believe that our students return far more to the economy than they cost and that the survival of the State Academies/Colleges is in the national interest. We have been tasked with this responsibility for 112 years.

The Maritime Administration's budget proposal, if accepted, undermines the very core of this long-standing, cost-effective, state/student/Federal relationship.

The issues that we have described today are of extreme importance to our continued operation. The State Maritime Academies and Colleges at minimal Federal cost have produced and continue to train outstanding officers for service in the Merchant Marine, the U.S. Navy and Coast Guard, NOAA and other service-related organizations. We have appreciated your past support and trust that we may continue to receive your confidence and support in the future.

We request that HR 4175 be supported so that the most cost-effective system of producing licensed Merchant Marine/Merchant Marine Reserve Officers will not be terminated. We totally support sharing the burden of reducing the Federal deficit and accept the 24% reduction in State Academy funds as contained in this Bill. This is the bare minimum required.

We would be pleased to assist you in any studies you may wish to undertake with regard to the issues that we have raised and would be happy to have the opportunity to discuss our situation with you and your staff at your convenience.

APPENDIX A.

FOUR YEAR COST PER STUDENT ENROLLED FOR A STUDENT GRADUATING IN 1985

	Total Number of Graduates	(a) SIP Student Costs	(a) Non-SIP Student Costs	(b) State Costs	(c) Federal Cost Non-SIP Graduate	(d) Federal Cost SIP Graduate
New York	229	$15,037	$19,837	$21,428	$12,864	$17,664
Massachusetts	188	N/A	N/A	N/A	8,061	12,861 (no Training Ship in 1984 & 1985 thus no M&R costs)
Maine	145	20,868	25,668	20,489	14,225	19,025
Texas	69	2,844	7,644	29,825	21,086	25,886
California	112	10,771	15,571	29,467	12,220	17,020
Great Lakes***	46	10,520	14,120	6,677(e)	2,095(e)	5,696

N/A Not currently available

	Total Number of Graduates	Total Federal Cost to Educate
Kings Point****	238	$68,862

(a) Includes cumulative tuition, room and board, uniforms, required fees. The figure is $4,800 less for individuals receiving SIP.

(b) Does not include capital improvement or construction.

(c) Includes cumulative ship M&R, ship fuel funding and $100,000 grant.

(d) Includes cumulative ship M&R, ship fuel funding and $100,000 grant and SIP.

(e) Three year average (1983, 1984, 1985)

*** Three year program. No federal cost for M&R or fuel.

**** 1984 figures supplied by the Maritime Administration.

Mr. SMITH. Mr. Early.

Mr. EARLY. No questions.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. No question.

Mr. SMITH. Thank you for your testimony. This is one of those rather difficult questions we face. Without enough money and without a budget request for it, the Members of this Committee have been keeping it alive. We will see what we can do.

Admiral MILLER. Yes, sir. Thank you very much.

MONDAY, MARCH 3, 1986.

JAPAN-U.S. FRIENDSHIP COMMISSION

WITNESS

PETER C. WHITE, PRESIDENT, THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, ATLANTA, GEORGIA

Mr. SMITH. Peter White. Go ahead.

Mr. WHITE. My name is Peter White, President of The Southern Center for International Studies in Atlanta, Georgia. I am here today to speak on behalf of the Japan-U.S. Friendship Commission, which for the last six years has provided funding for the Southern Center's two-day seminar on "Japan in the 1980s," the only educational program available in the Southeast for academics teaching about Japan, senior state officials dealing with the Japanese and journalists reporting on U.S.-Japanese relations.

Let me give you some background on the Southern Center and its relationship with the Japan-U.S. Friendship Commission. The purpose of the Southern Center is to present educational programs or leaders and the general public in the Southeastern United States. To that end we have for almost a quarter of a century presented seminars, conferences and briefings that have involved senior government officials, academic leaders, businessmen, professionals and the general public.

For the last three years we have been convening the former secretaries of state of the United States in a two-day conference. These sessions which have been held in Atlanta and Miami represent the only time in the history of our country that these men have been brought together to discuss American foreign policy. A television special made from the conference is broadcast in the U.S. on the PBS Network and overseas over the USIA satellite. Last year 77 ambassadors requested copies of the film to use as an educational program in their embassies.

For most of our corporate history we have followed U.S.-Japan affairs very closely. Last year almost 30 percent of our budget was expended on programs about Asia, primarily Japan, because the Southeast United States, that is Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee and Virginia, contain more Japanese investment than any other section of the U.S. except the State of California.

The Nissan plant in Syrna, Tennessee, plus the ancillary activities that have been attracted to it from Japan represent almost $2 billion. Every southern governor, many mayors and professional staff annually visit Japan seeking further Japanese investment.

The Southern Association of Colleges and Schools accredits 600 universities in the Southeast, Panama and Puerto Rico. In 1982 an informal survey made by that organization indicates that there were no more than 25 people in accredited institutions in the South who were teaching in the field of Japanese studies and a high percentage of those academics had, in fact, very little formal training in that discipline. These figures include law schools, graduate schools of business administration, political science departments and undergraduate colleges. Even today the number of qualified teachers has not greatly improved although there has been some growth.

To our knowledge, the only educational program available for academics who teach about Japan, senior state government officials dealing with the Japanese and journalists reporting on the U.S.-Japan relationship is conducted by the Southern Center. Our next program which will be convened on May 1-2, 1986, represents the sixth consecutive year that this enterprise has been undertaken by the Southern Center. The only funding we have been able to obtain for this and other important programs designed to educate Southern leaders has come through the Japan-U.S. Friendship Commission.

Mr. Chairman, I have taken the liberty of bringing with me today some of the brochures we have designed to explain this program. You will note that we have been able to bring to Atlanta to lead these programs some of the world's leading experts from this country and abroad. These programs have been designed to explain the Japanese economy, the political system and the cultural differences between our two peoples. As you know, these are complicated topics at best and we can only present in these short meetings a shorthand version of what could be a long-term seminar. However, they represent what has been possible with funds available. I can report that this is the only such enterprise being held in the U.S. designed to carry out the mission indicated.

In addition to these seminars which are central to the effort made to educate our people, we have held commission-supported meetings designed for business leaders from our region on the topic of Japanese trade and investment policy.

Mr. Chairman, I would like you to know that the commission's funds come basically from that money paid to the U.S. for road and bridge improvements made on Okinawa during our occupation on that island. Additionally, funds have been contributed during the last several years by Japanese groups.

It has been my experience in dealing with this commission since 1981 that on no occasion was there ever any influence executed by the commission to present a particular point of view. In requesting money we have made a straightforward proposal outlining our plans and then have had a free hand to develop the projects and the programs funded. On more than one occasion our speakers and the conclusions reached have been critical of Japan.

Given the huge and still growing trade deficit between our two countries, the sheer size of the Japanese economy and this country's military and economic interests in the Pacific, the Japan-U.S.

Friendship Commission plays an important role that should be continued. They provide an extraordinary educational opportunity for all our citizens. They function in a field that for too long has been neglected.

Mr. Chairman, if you have any questions I would be delighted to try to answer them for you.

Mr. SMITH. You indicated the number of qualified teachers in this field is not greatly improved. We had testimony this morning that the capacity of universities to train teachers hasn't greatly improved. Should there be some kind of a different emphasis on the expenditure of these funds? What is the reason for this?

Mr. WHITE. The reason is I think related to the expense of the training, the need to have significant language capabilities, which is something that has to be developed early in life. It is not something that you can just pick up later on in graduate school when you perceive a vocational opportunity opening, so that it takes a lot of preparation, a lot of thought, as opposed to other disciplines where the language capability can be picked up or is unnecessary.

What we are doing in the south is a critical need, because as I mentioned in my testimony the enormous amount of investment that is being made in our part of the country, and the very little amount of training or experience that southern leaders have in the field of Asia or specifically in Japan. And this is related really to historic reasons, that people in the south, of anywhere from 40 and above, during their academic careers if they went to school at southern universities almost without exception never encountered a person who even talked about international affairs. People in the region were more interested in surviving economically than getting into exotic subject areas like that.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. No questions.

Mr. SMITH. Thank you.

Mr. WHITE. Thank you, Mr. Chairman.

MONDAY, MARCH 3, 1986.

U.S. TRAVEL AND TOURISM ADMINISTRATION

WITNESS

WILLIAM D. TOOHEY, PRESIDENT, TRAVEL ASSOCIATION OF AMERICA AND VICE CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL

Mr. SMITH. William Toohey.

Mr. TOOHEY. Mr. Chairman, I am William D. Toohey, President of the Travel Association of America and Vice Chairman of the Travel and Tourism Government Affairs Counsel. We are most grateful, Mr. Chairman, that the subcommittee has recognized travel and tourism's contributions to the economy in recent years.

Mr. Chairman, I have a rather lengthy statement that I would like to have inserted in the record.

Mr. SMITH. We will insert it in the record.

Mr. TOOHEY. Also I would like to commend your attention to the current edition of the Commerce Department's magazine, which has a superb article on tourism and its relationship to the nation's economy. I would like to suggest, Mr. Chairman, if you are agreeable, that it be inserted in the record of these hearings.

Through the far-sighted efforts of the Congress, USTTA has been funded at $12 million for the past three years, really reversing a six-year trend of continuous reductions in that agency's funding. In 1984, the government received $13.6 billion in tourism-generated federal tax revenues, and nearly three-quarters of a billion dollars, or $703 million of this total coming from foreign tourists to the United States. Our export earnings from tourism were $13.9 billion and $19.6 billion when airline passenger receipts are included in the total, almost $20 billion.

The U.S. Department of Commerce announced recently that 1985 trade deficit was estimated to be $148.5 billion, up 21 percent from 1984 and over twice the 1983 record of $69 billion. The services sector of the U.S. economy has become a major source of export receipts in the U.S. balance of payments. While services exports remain strong, they no longer offset the increasingly higher manufactured goods trade deficits.

The tourism export industry is a growing component of services sector trade. Given that tourism is second only to chemicals in terms of exports receipts generated, and by far the largest U.S. export earner among tradable services, we would find it unthinkable that the travel and tourism industry would not be considered as an integral part of any emerging export strategy.

The council recognizes the subcommittee's commitment to fiscal restraints, especially at this time when it is necessary to reduce the federal deficit, and the likely repercussions of Gramm-Rudman-Hollings Deficit Reduction Act on all facets of government funding. We fully realize that the economic health of the nation depends on the dedication of the administration and the Congress to reduce the burdensome and awesome federal deficit. It is equally evident that this subcommittee has in the past recognized that international travel promotion is consistent with efforts to reduce the rate of growth of the national debt and that promotional investment dollars return significant tax revenues.

The current cooperative effort USTTA has initiated in West Germany recommended by the travel and tourism industry's international marketing plan involves participation by states, by cities, and by the private sector under the essential leadership of the USTTA, our national government tourist office. Maintaining funding for the USTTA will nurture this fledgling public-private partnership, which holds considerable promise for increasing federal tax revenues from tourism export trade, for contributing positively to the balance of payments, and increasing employment opportunities for American workers.

Of equal importance to USTTA's contribution to our trade balance is its contributions to counterterrorism policy formulation, and the exchange of effective administration policies aimed at strengthening tourism-dependent economies in the Caribbean and in other friendly developing nations around the world.

Tourism is a recognized instrument of world peace. In a major message in the fall of 1985, Pope John Paul II said, "As people of good will strive to eliminate injustice and discrimination and seek to transform the world into a civilization of love, the encounters and engendered among peoples through travel are not only a condition for the realization of peace but a positive contribution to world peace."

Our industry feels strongly that USTTA must be maintained as one of the viable instruments of peace, as well as an essential contributor to our international trade performance.

Mr. Chairman, that concludes the synopsis of my testimony. I would be happy to take any questions you might have.

Mr. SMITH. Thank you very much.

Mr. TOOHEY. Thank you, Mr. Chairman.

[The statement of Mr. Toohey follows:]

Travel and Tourism
Government Affairs
Council

Committee on Appropriations

U.S. House of Representatives

March 3, 1986

Presented by:
William D. Toohey
Vice Chairman

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An Affiliate of the
Travel Industry Association
of America

The Travel and Tourism Government Affairs Council appreciates the opportunity to present testimony in support of funding for the United States Travel and Tourism Administration (USTTA).

The Travel and Tourism Government Affairs Council, an affiliate of the Travel Industry Association of America, consists of 31 major national travel and tourism trade organizations and officially represents the entire industry on government issues of common concern (See Appendix 1). As a coalition of the diverse segments that make up the travel and tourism industry, the Council includes representatives from the areas of transportation, accommodations, food service, travel agents, tour sales, recreation and attractions. The vast majority of these industries are small businesses.

The travel and tourism industry continues to be vitally interested in the purposes of the National Tourism Policy Act and its designated principal instrument of policy implementation, the United States Travel and Tourism Administration.

It was through the farsighted efforts of the Congress that USTTA has been funded, without increase, at $12 million for the past three years, reversing in 1983 a six-year trend of continuous reductions in funding.

In 1984 the government received $13.6 billion in tourism-generated federal tax revenues with nearly three-quarters of a billion dollars ($703 million) of this coming from foreign visitors according to the United States Travel Data Center. Our export earnings from tourism were $13.9 billion and $19.6 billion when airline passenger receipts are included. The travel and tourism industry contributed 479,000 of the new jobs created in the United States in 1984.

In addition, the travel and tourism industry has proven itself to be a dependable source of abundant job opportunities for minority groups that have traditionally found it more difficult than others to find jobs. The industry employs 806,000 blacks (6% more than the national average), 531,000 Hispanic-Americans (24% more than the national average), nearly 4 million women (22% more than the national average) and approximately 3.3 million youths, 16 to 24 years of age.

The U.S. Department of Commerce announced recently that the 1985 trade deficit was estimated to be $148.5 billion--up 21 percent from 1984 and over twice the 1983 record of $69.4 billion. The services sector of the U.S. economy has become a major source of export receipts in the U.S. balance-of-payments account. While services exports remain strong, they no longer offset the increasingly higher manufactured goods trade deficits.

The tourism export industry is a growing component of services sector trade. Tradeable business services represent a wealth of intangibles exported by U.S. firms - construction and engineering services, management consulting services, and many others including all the food, lodging, transportation and entertainment we provide to foreign visitors during their stay in the United States which make up the tourism export product.

International travel provides an effective promotion and distribution network for a myriad of U.S. products and services. While the majority of export industries maintain a primary objective to sell large quantities of domestic products overseas, the travel and tourism industry sells large quantities of domestic products to a captive audience of international visitors who travel to the United States. The significant amounts of agricultural and manufactured products consumed by international visitors in the United States demonstrates the versatility of the tourism product as many exports rolled into one. In other words, tourism works in tandem with, and more importantly, to the benefit of, other export industries. For example, foreign visitors spend over $3 billion here annually on the purchase of gifts and products to take home over and above what they spend on needed incidental services while here. They also consume an amount of beef equal to all of the cattle in Nevada and as many chickens as are raised in one year in California.

The tourism export product accounts for one-third of tradeable services exports, making it our largest tradeable service export.

The Administration and the Congress recognize that the U.S. trade deficit has reached crisis proportions. The sluggish economies of most of our trading partners and the strength of the dollar, just now beginning to drift downward, mitigate against a quick solution to the trade deficit problem. Notwithstanding the difficulty of redressing the trade balance and the complexity of the issue generally, the Congress and the Administration will hopefully take further affirmative steps, this year, to improve our international trade position.

Given that tourism is second only to chemicals, in terms of export receipts generated, and by far the largest U.S. export earner among tradeable services, we would find it unthinkable that our industry would not be considered as an intergral part of any emerging export strategies.

This brings us to a troubling situation that can not be separated from the deliberations of this Subcommittee on appropriate funding levels for USTTA. This Administration, in its proposed budget for FY 1987, has proposed closing down USTTA. This is the seventh such attempt in 25 years to eliminate our national tourism office, two of those attempts by this Administration. Only the Congress prevented these ill-conceived efforts from succeeding.

Ironically, USTTA has been asked by this Administration to assist the island nations of the Caribbean in furthering the development of their tourism industries as part of the President's Caribbean Basin Initiative.

There is no other agency of the federal government that has the capacity to assist Caribbean nations or other friendly nations in tourism matters in support of U.S. foreign policy. In light of the number of developing nations of the world with tourism dependent economies, our government would be hard pressed to pursue its foreign policy related assistance initiatives without the technical resources available only from USTTA.

Many nations friendly to the United States are currently experiencing major disruptions in their tourism flows due to terrorism incidents in their region of the world. The State Department and other interested parties in the Administration are relying on USTTA to contribute its unique expertise to emerging strategies necessary to bring normality back to the economies of these troubled parts of the world.

It is surely time that the Congress and the Administration recognize and nurture USTTA's role in fostering international peace and understanding as equal in importance to its contribution to export earnings. As we, as a nation, continue to pursue a policy of aiding in the strengthening of the economies of developing nations it is essential that we keep in mind that 175 governments around the world compete actively and directly for travel export dollars. It is therefore unlikely that our policy initiatives aimed at strengthening other nations' economies will be fruitful without, at least, the periodically necessary travel and tourism expertise of USTTA in policy formulation.

The U.S. government promoted outbound travel by U.S. residents after World War II as a key element of its strategy for rebuilding the war-torn economies of Europe. This strategy was so successful that by the end of the 1950's thirty percent of our trade deficit was attributable to tourism. With so many armed conflicts impacting national economies in all parts of the world today it is hard to believe that U.S. policy shapers will not again turn to tourism as a strategic tool for economic reconstruction assistance when peace comes. USTTA will have much to contribute to U.S. policy formulation in these cases as it is currently doing in helping to resuscitate the faltering Caribbean Basin Initiative.

Beginning in the early 1970's, our industry has worked to heighten awareness of the small, but critical and catalytic role that government must play in the international tourism marketplace. The industry enthusiastically participated in the five-year National Tourism Policy Study which led to the passage of the National Tourism Policy Act.

Since passage of the National Tourism Policy Act in 1981, the industry has worked together to educate agencies of the Executive Branch, including OMB, on the role of tourism in the national interest. Industry leaders have informally met since 1981 with OMB and White House liaison officers. Our findings were, and continue to be, enlightening if not heartening. Even though a number of travel industry firms annually and consistently spend over four times the national tourism budget on promoting tourism to the United States, OMB continues to suggest that the industry needs to do more. OMB also indicated in 1983 that a comprehensive marketing plan, identifying appropriate roles for both government and the private sector, would aid significantly in making USTTA budget recommendations.

Guided by OMB discussions, the Travel Industry Association of America, in 1983, organized an International Marketing Plan Development Committee to develop a suggested marketing plan for USTTA with emphasis on increasing the private sector's commitment to promoting travel to the United States. This effort was undertaken with the assumption that a good faith industry effort in response to OMB's suggestions would be, as a minimum, met with serious consideration by the government.

The Committee, made up of top international marketing executives from all segments of the U.S. travel and tourism industry, national tourism market. Particular emphasis was placed on: the increasing competition between governments for international visitors, the historic and likely future performance of the United States in international tourism trade, and strategies available to begin returning the United States to its previously held competitive position. The direct cost and value of contributed services of this privately financed effort would have cost the government more than $500,000.

Task forces of the Committee circled the globe to visit seven key markets to determine the best approach for the United States to take in improving its competitive position in international tourism trade and how the private sector could make a greater contribution to a unified national effort. The Marketing Plan was presented to the Secretary of Commerce, USTTA and OMB on August 14, 1984.

The government's response to this monumental effort of some of the best tourism marketing talent available, although by no means the formal response expected, was a recision message from the Executive Branch proposing to reduce USTTA's budget for 1985 by one-third and a budget proposal phasing USTTA out of existence by the end of FY 1986. This recommendation was clearly unresponsive to the industry's good faith effort to form a public-private partnership to improve our country's trade balance and was recognized as such by the Congress.

The Council recognizes the Subcommittee's commitment to fiscal restraints at this time when it is necessary to reduce the federal deficit and the likely repercussions of the Gramm-Rudman-Hollings Deficit Reduction Act on all facets of government funding. We fully realize that the economic health of the nation depends on the dedication of the Administration and the Congress to reduce the burdensome deficit. It is equally evident that this Subcommittee recognizes that international travel promotion is consistent with efforts to reduce the rate of growth of the national debt in that promotional investment dollars return significant tax revenues.

The current cooperative effort USTTA has initiated in West Germany, recommended in the industry's International Marketing Plan, involves participation by states, cities, and the private sector under the essential leadership of USTTA. Maintaining funding for USTTA will nurture this fledging public-private partnership which holds considerable promise for increasing federal tax revenues from tourism export trade, contributing positively to the balance of payments, and increasing employment opportunities for American workers. Of equal importance to USTTA's contribution to our trade balance is its contributions to counter terrorism policy formulation and to shaping effective Administration policies aimed at strengthening tourism dependent economies in the Caribbean and in other friendly developing countries elsewhere in the world.

Tourism is a recognized instrument of world peace. In a major message in the fall of 1985, Pope John Paul II said: "As people of good will strive to eliminate injustice and discrimination and seek to transform the world into a civilization of love, the encounters engendered among peoples through travel are not only a condition for the realization of peace but a positive contribution towards peace." Our industry feels strongly that USTTA must be maintained as one of the viable instruments of peace as well as an essential contributor to our international trade performance,

APPENDIX 1

Travel and Tourism Government Affairs Council Members:

Air Transport Association
American Automobile Association
American Bus Association
American Car Rental Association
American Hotel and Motel Association
American Recreation Coalition
American Sightseeing International
American Ski Federation
American Society of Travel Agents
Association of Retail Travel Agents
Conference of National Park Concessioners
Gray Line Sight-Seeing Association
Highway Users Federation
Hotel Sales and International Marketing Association
International Association of Amusement Parks & Attractions
International Association of Convention & Visitor Bureaus
National Air Carriers Association
National Campground Owners Association
National Caves Association
National Council of Area and Regional Travel Organizations
National Council of State Travel Directors
National Council of Travel Attractions
National Restaurant Association
National Ski Areas Association
National Tour Association
Recreation Vehicle Industry Association
Society of American Travel Writers
Travel Industry Association of America
United States Travel Data Center
United States Tour Operators Association

At Large Members:

Richard Ashman, Holiday Inns, Inc.
Charles Gillett, New York Convention & Visitors Bureau
Howard James, The Sheraton Corporation
Robert Juliano, Hotel Employees and Restaurant Employees International Union
Martin R. Shugrue, Pan American World Airways, Inc.
Hugh Smith, Senior Vice President, Government Affairs, American Express Company, Inc.
Preston Tisch, Loews Corporation

**Travel and Tourism
Government Affairs
Council**

**1899 L Street, N.W.
Washington, D.C. 20036
Telephone 202-293-5407**

Iowa Fact Sheet

Economic Impact of Travel and Tourism in 1983

Travel and tourism was the **2nd** largest employer in the state in 1983 exceeded only by health services.

In 1983, travel and tourism generated:

- **46,900** jobs (500 of these jobs generated by foreign visitor spending)
- **4.6%** of all jobs in Iowa
- **$318** million in payroll ($110 per capita)
- **Over $1.6 billion** expenditures in the state ($555 per capita)
  Tourists spent over $4.4 million per day in Iowa in 1983.
  - **$1,609.2** million total traveler expenditures ($15 million of this by foreign visitors).
- **$158.6** million total tax revenues
  - **$71.7** million federal tax revenues
  - **$72.7** million state tax revenues
    Tourism contributed over $199,000 per day to Iowa in state taxes in 1983.
    Iowa received $173.93 in tourism generated state taxes for each dollar the state budgeted for tourism in 1983
  - **$14.1** million local tax revenues

Source: U.S. Travel Data Center and
Travel and Tourism Government Affairs Council

Note: 1983 is the latest data available. 1984 data will be released in late summer 1986.

Air Transport Association
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Howard P. James, Chairman and Chief Executive Officer, The Sheraton Corporation
Robert E. Juliano, Legislative Representative, Hotel Employees and Restaurant Employees International Union
Richard D. Mathias, Senior Vice President, Government Affairs, Pan American World Airways, Inc.
Hugh H. Smith, Senior Vice President, Government Affairs Office, American Express Company
Preston R. Tisch, Chairman, Loews Hotels
James E. Gaffigan, Executive Director

**An Affiliate of the
Travel Industry Association
of America**

BUSINESS AMERICA

February 17, 1986

THE MAGAZINE OF INTERNATIONAL TRADE

America.
Catch the Spirit.

TOURISTS ARE EXPORTS

A Publication of the U.S. Department of Commerce

Secretary Congratulates USTTA

I congratulate the United States Travel and Tourism Administration and its predecessor, the United States Travel Service, on their 25th Anniversary this year.

Tourism, the largest business export in the service industries, is extremely important to the United States, contributing to our employment, economic prosperity, trade balance, and international understanding. Tourism provides about five million jobs and over 6 percent of the gross national product. There are more than a million businesses in the tourism industry, 99 percent of them small firms.

Last year, 21.3 million visitors contributed $14.5 billion to our export earnings. In 1985, the United States had almost a $1 billion surplus in international tourism trade with Japan. As the dollar continues to depreciate, international trade in tourism in 1986 should be one of the best products the United States can sell abroad.

I salute the private sector and state and local tourism groups for their outstanding contributions to international trade in tourism. Their work in conjunction with the United States Travel and Tourism Administration has kept the United States competitive in the international tourism marketplace.

Malcolm Baldrige

MALCOLM BALDRIGE
Secretary of Commerce

BUSINESS AMERICA
THE MAGAZINE OF INTERNATIONAL TRADE
Volume 9, No. 4 February 17, 1986

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Articles

Tourism Has Become a Major U.S. Export
The U.S. Travel and Tourism Administration (formerly the U.S. Travel Service), celebrates its 25th Anniversary this year. During those years, the agency has developed and implemented a number of programs, including the "Visit USA" Program, which have contributed to the rapid growth in the U.S. tourism industry, the largest business export in the services sector. A series of articles focuses on the importance of travel and tourism to the U.S. economy and trade balance and the new directions the industry must be prepared to take to expand the U.S. share of a rapidly changing global market. 2

Chinese Admire U.S. Telecommunications Technology
A Telecommunications Technical Seminar Mission to China found that the Chinese have made substantial progress in upgrading their telecommunications services. To attain their goal of a modern, integrated nationwide system, however, they will need a heavy infusion of equipment and services that U.S. firms can provide. 20

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America.
Catch the Spirit.™

The 'Visit USA' Program After 25 Years: Changing Markets, Growing Competition, and New Challenges Ahead

By Donna F. Tuttle
Under Secretary of Commerce for Travel and Tourism

Henry Ford's first two automobile companies failed, Coca-Cola Company sold only 400 Cokes during its first year in operation, American Express sold less than $10,000 worth of travelers checks in 1891—the first year the checks were on the market, and the United States earned scarcely more than $1 billion from international tourism (mostly from Canada) in 1961, the first year there was an official "Visit USA" Program.

Like the Ford Motor Company, Coca-Cola and American Express, the United States has improved its record. In 1984, the most recent year for which full-year data are available:

- this country earned $11.4 billion in international tourism receipts and $2.5 billion in international passenger fares—as much as it earned in 1950 from exports of *all* goods and services;
- sales of U.S. tourism services to visitors from Mexico exceeded U.S. sales to Mexico of nine of the ten Schedule E Commodity Categories (Table I);
- the U.S. Treasury collected almost as much foreign exchange from sales of tourism services to visiting Japanese as from sales of manufactured goods to Japanese companies (Table I);
- the United States earned *more* from sales of tourism services to visitors from the Federal Republic of Germany, France, Switzerland, Sweden, Spain and New Zealand than from exports of manufactured goods to firms in all six of those countries (Table I); and
- tourism accounted for more than half of U.S. sales of services to Canada, more than two-fifths (44 percent) of U.S. sales of services to Latin America and other Western Hemisphere countries, one-fourth of such sales to Japan and to Australia, New Zealand and South Africa, and one-fifth of such sales to the so-called EC-6 (which include Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands (Table II)).

The Takeoff Years

A number of factors have contributed to the growth of U.S. tourism revenues in the last 25 years. Escalating technological change has compressed our world and created new markets and commercial opportunities for the U.S. international tourism industry. The 707 jet aircraft, introduced commercially in 1957, brought the travel markets of Europe, South America, Asia, and Australia hours closer to U.S. tourist attractions and services. The launching of the first communications satellite in 1960 created the "global village" and stimulated world public interest in developments in distant countries. The advent of the 747 jumbo jet in 1969 enabled international air carriers to reduce the cost of transoceanic transportation to a level within the means of millions of middle-class consumers. The invention of the microcomputer in 1971 made it possible to create globe-girdling reservations networks which simplified and expedited the process of arranging foreign travel.

New pricing and marketing concepts such as excursion fares, first introduced by the world's major airlines in 1963, have reduced the price of international travel and, in effect, expanded the "Visit USA" market. The introduction of "time-sharing" by the U.S. resort/lodging industry has had a similar effect. Rising standards of living in the industrial and developing countries made trips to the United States more affordable. These developments have not only expanded and changed the "Visit USA" market; they have defined the challenges with which the industry/government "Visit USA" Program has had to cope.

The "Visit USA" Program

In 1961, 87 percent of the United States' foreign tourist business was transborder, from Canada and Mexico, and the largest segment was the Canadian automobile market. Only 515,000 of our foreign tourist arrivals were from "overseas." In 1971, Canadians and Mexicans still accounted for four-fifths of all foreign tourists arriving in the United States. Only six European countries ranked among our top 20 tourism-generating markets and, together, these six accounted for fewer than 890,000 U.S. visitors. Japan accounted for fewer than 312,000 and Australia for only 70,000.

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CONTINUED

Foreign tour operators, especially in the organized and packaged-tour markets, were offering only a limited number of "Visit USA" packages. Those packages that were on the market featured a small number of U.S. port cities, not destinations in the U.S. interior. In short, "the product" was "not on the shelf." Foreign tour operators were hesitant to risk the front-end money necessary to produce "Visit USA" tour catalogs in volume and to market the United States to the mass travel market.

In addition, few travel agents outside North America were familiar with U.S. tour attractions and facilities, and most European agents, even those who had inspected U.S. destinations, were unacquainted with sites in the Midwest and western United States. Since repeat business represents an important source of a travel agent's income, and repeat business depends upon satisfied customers and a relationship of trust between agent and client, many overseas travel agents who lacked firsthand knowledge of U.S. destinations were reluctant and unwilling to recommend them to their clients.

The former United States Travel Service undertook a "Tour Development Program." USTS personnel abroad identified the most productive tour operators in their respective markets and helped them to plan and assemble U.S. tour packages, contact U.S. travel suppliers, obtain slides and photographs for use in promotional materials, and produce tour catalogs for distribution to retail travel agents and the general public. They also identified travel agencies in their markets which were willing to designate at least one travel counselor to serve as a "Visit USA Travel Planning Specialist." Through a series of structured, regularly-scheduled workshops, USTS and its U.S. travel industry partners instructed these specialists and brought them to the United States on short "field inspection" trips to observe U.S. travel facilities and services firsthand.

The result is that today the United States is a featured destination in tour catalogs and brochures distributed in all major markets. One hundred and thirty-nine major tour producers in six overseas markets and 137 in Canada and Mexico are conducting active "Visit USA" programs. There is an experienced cadre of 1,900 "Visit USA" specialists overseas and 2,050 in Canada and Mexico. More state and city economies benefit from tourism's multiplier effect than 25 years ago.

In 1983, the most recent year for which data are available, 30 of the 50 states earned more than $50 million from sales of tourism services to foreign visitors. Twelve earned more than $100 million, five more than $1 billion, and two more than $2.6 billion. Foreign visitor spending supported more than 2,000 jobs in 20 states and the District of Columbia, and more than 312,000 jobs throughout the country. That same spending generated more than $800 million in city and state sales tax receipts and $837 million in Federal tax revenue.

Participating in the kick-off of the German-American "America, Catch the Spirit" campaign are (from left): Edward Barth, American Airlines; Donna Tuttle, Under Secretary of Commerce for Travel and Tourism; and two cooperative advertising partners.

America. Catch the Spirit.

The Struggle for Market Share

Nevertheless, the U.S. share of the international travel market has not expanded appreciably since 1981, and U.S. penetration of the larger European travel markets has been disappointing in some cases. (Only 3 percent of West German travel spending in 1983 occurred in the United States, for example.)

In part, the U.S. inability to improve its share of the world travel market has been due to a slower rate of growth in the world travel market as a whole, the relatively high value of the U.S. dollar vis-a-vis leading foreign currencies, market access impediments, and intensifying competition from new, developing countries.

World tourism receipts rose less than 5 percent between 1980 and 1984 (an average annual increase of less than 1 percent), and in 1982 and 1983 fell below their 1981 level. This compares with an overall increase of more than 40 percent between 1975 and 1979 (an average annual increase of more than 8 percent).

At the same time the world tourism market has experienced slower growth, competition for that market has intensified. New countries emerged during the sixties and seventies, and today those countries must earn foreign exchange. More than 70 developing countries have established national tourism offices. The non-oil-exporting developing countries' share of the world travel market was 28 percent in 1984, up from 23.7 percent in 1976.

Market access barriers have also been a factor. For example, more than 100 countries limit the amount of currency their nationals may take abroad to pay for foreign travel. In the majority of cases, the amount of currency allowed is either insufficient to cover the cost of a trip to the United States, or the "allowance" is administered in such a way that the traveler is encouraged to visit non-U.S. destinations. In one country, the basic exchange allowance is only US$55 per person per calendar year for foreign travel for reasons other than business or profession. In another case, the allowance is equivalent to US$100 per day up to a maximum of US$800; in still another, residents traveling to another country in the same "currency area" may take out any amount of exchange, but those traveling to a country or countries outside that area are permitted the equivalent of just US$450 per person per trip.

Throughout 1983 and 1984, travel allowance restrictions were in force in nine of the United States' major travel markets, compared with five in 1982. Although, with two exceptions, 1984 restrictions remained the same as in 1983 in national currency terms, the appreciating U.S. dollar effectively reduced the "allowance" which residents of seven key market-countries could obtain to finance travel in the United States.

Current Initiatives

In FY 1985 and FY 1986, as the value of the dollar began to decline, the United States Travel and Tourism Administration (which replaced the United States Travel Service in 1981) undertook initiatives to re-establish U.S. competitiveness in the international travel market. USTTA launched a major cooperative advertising program to enlist more of the U.S.' one million travel-related businesses and states and cities in an endeavor to market the United States abroad. Because the Federal Republic of Germany has ranked as the world's largest tourism market in terms of expenditures, out-ranking the United States until this year, and because U.S. penetration of that market is still less than 5 percent, a cooperative consumer advertising campaign was developed for implementation there.

Under Secretary Tuttle, USTTA Director in Frankfurt Peter W. Bohen (far right), and Pan American officials christen Pan Am clipper displaying "America, Catch the Spirit" logo in Frankfurt, Germany.

As of early FY 1986, 41 private sector and state and city agency partners had been recruited, only four of which had previously advertised their services in the Federal Republic of Germany. Together, these partners invested more than $2.0 million in the cooperative campaign, which is to run through May.

The cooperative approach to travel marketing developed and coordinated by USTTA offers a number of advantages to participating firms, states and cities:

- participants save 20 to 40 percent on space costs because, jointly, they can afford more space than they could as individual advertisers, and so receive volume discounts;
- a 24 to 36-page magazine or newspaper supplement sponsored by a number of advertisers commands greater attention and therefore has more impact than a single, isolated advertisement which may be overlooked by the audience for which it is intended;
- the tasks of media selection and of space and insertion schedule negotiation, in a foreign language, are performed by USTTA professionals who are familiar with the market, the media and the language;

America Catch the Spirit.

CONTINUED

TABLE I

Comparison of U.S. Export Earnings from Tourism and from Schedule E Commodities, by Selected Markets 1984

(Billions of $)

Export Category	**U.S. Export Earnings**
MEXICO	
Machinery and Transport Equipment	$ 5.2
TOURISM	1.9
Chemicals and Related Products	1.3
Crude Materials, Inedible	1.3
Manufactured Goods	1.1
Food and Live Animals	1.0
Miscellaneous Manufactured Articles	0.830
Mineral Fuels and Lubricants	0.369
Communications and Transport Equipment Not Classified Elsewhere	0.252
Oils and Fats	0.167
Beverages and Tobacco	0.002
JAPAN	
Machinery and Transport Equipment	$ 5.2
Food and Live Animals	4.7
Crude Materials, Inedible	4.6
Chemicals and Related Products	3.0
Mineral Fuels and Lubricants	1.8
Miscellaneous Manufactured Articles	1.5
Manufactured Goods	1.4
TOURISM	1.3
Beverages and Tobacco	0.4
Communications and Transport Equipment Not Classified Elsewhere	0.2
Oils and Fats	0.053
FEDERAL REPUBLIC OF GERMANY	
Machinery and Transport Equipment	$ 4.0
Chemicals and Related Products	1.1
Crude Materials, Inedible	0.944
Miscellaneous Manufactured Articles	0.881
TOURISM	0.552
Manufactured Goods	0.492
Food and Live Animals	0.467
Communications and Transport Equipment Not Classified Elsewhere	0.228
Beverages and Tobacco	0.220
Mineral Fuels and Lubricants	0.089
Oils and Fats	0.020
FRANCE	
Machinery and Transport Equipment	$ 3.0
Miscellaneous Manufactured Articles	0.723
Chemicals and Related Products	0.566
Crude Materials, Inedible	0.470
Mineral Fuels and Lubricants	0.292
TOURISM	0.288
Manufactured Goods	0.259
Food and Live Animals	0.245
Communications and Transport Equipment Not Classified Elsewhere	0.141
Beverages and Tobacco	0.017
Oils and Fats	0.011

SOURCE: Bureau of the Census, *U.S. Exports, World Area & Country, By Schedule E Commodity Groupings*, EM455, Table 3, (Washington, D.C., 1985). Bach, Christopher L., "U.S. International Transactions, Fourth Quarter and Year 1984," *Survey of Current Business*, March 1985, Vol. 65, No. 3, Table X, pp. 52-56. United States Travel and Tourism Administration, *Inflight Survey*, Visitors to the U.S., April-June 1984.

SWITZERLAND

Export Category	U.S. Export Earnings
Machinery and Transport Equipment	$ 0.685
Miscellaneous Manufactured Articles	0.329
Chemicals and Related Products	0.328
TOURISM	0.187
Manufactured Goods	0.183
Crude Materials, Inedible	0.177
Communications and Transport Equipment Not Classified Elsewhere	0.149
Food and Live Animals	0.080
Beverages and Tobacco	0.069
Mineral Fuels and Lubricants	0.002
Oils and Fats	0.002

SPAIN

Crude Materials, Inedible	$ 0.657
Machinery and Transport Equipment	0.581
Food and Live Animals	0.324
Mineral Fuels and Lubricants	0.298
Beverages and Tobacco	0.213
Chemicals and Related Products	0.187
TOURISM	0.113
Miscellaneous Manufactured Articles	0.109
Manufactured Goods	0.070
Communications and Transport Equipment Not Classified Elsewhere	0.037
Oils and Fats	0.017

NEW ZEALAND

Machinery and Transport Equipment	$ 0.288
Chemicals and Related Products	0.148
TOURISM	0.093
Miscellaneous Manufactured Articles	0.074
Manufactured Goods	0.065
Mineral Fuels and Lubricants	0.039
Communications and Transport Equipment Not Classified Elsewhere	0.027
Crude Materials, Inedible	0.019
Food and Live Animals	0.017
Beverages and Tobacco	0.009
Oils and Fats	0.003

SWEDEN

Machinery and Transport Equipment	$ 0.772
Chemicals and Related Products	0.179
Miscellaneous Manufactured Articles	0.166
TOURISM	0.133
Manufactured Goods	0.083
Mineral Fuels and Lubricants	0.080
Food and Live Animals	0.069
Crude Materials, Inedible	0.065
Communications and Transport Equipment Not Classified Elsewhere	0.043
Beverages and Tobacco	0.037
Oils and Fats	0.003

America. Catch the Spirit.

CONTINUED

- participants can, in effect, "package" themselves with other travel suppliers whose services and facilities are complementary, and thus enhance their appeal to the average foreign visitor, whose mean length of stay in this country is about 22 days, and who typically visits at least two different states, and is a repeat visitor.
- the results of cooperative efforts in individual markets are evaluated by USTTA and provided to participants.

The objective of the cooperative campaign is to increase the volume of West German visitors to the U.S. by 15,000 in FY 1986 and to increase tourism receipts from West German travelers by $15.7 million.

Although the Federal Republic is the targeted market for 1986, there are smaller cooperative consumer advertising campaigns using the campaign theme, "America, Catch the Spirit," in six additional principal tourist-generating countries, including Japan, one of the few countries with which the United States has a tourism surplus ($1 billion).

In other initiatives during the year, offices were opened in Australia, the Netherlands and Italy to identify foreign marketing opportunities, develop umbrella cooperative promotional programs uniting the diverse and fragmented elements of the U.S. travel industry, and increase local travel-sellers' knowledge of the U.S. travel product. A broad-based educational outreach program was undertaken to make U.S. state and city leaders more aware of the international market, and to help them understand how to enter it.

The first of a series of regional meetings was held with the Southeast Tourism Society and Travel South to explain the FY 1987 marketing plans for Canada, the Federal Republic of Germany and Japan, and to recruit promotional partners to work with USTTA in those markets.

Similar meetings with the Great Lakes Travel Association, the New England USA and Foremost West are tentatively scheduled for April and September. Additional regional groups will also be consulted.

TABLE II

Tourism Share of U.S. Sales of Services (Exports) by Area 1983-1984

(Millions of Dollars)

	1983			1984		
	U.S. Sales of All Services (Exports)	U.S. Sales of Tourism Services	Tourism Share of U.S. Services Sales	U.S. Sales of All Services (Exports)	U.S. Sales of Tourism Services	Tourism Share of U.S. Services Sales
Western Europe	$12,530	$2,157	17.2%	$13,381	$2,227	17.6%
EC-6[1]	6,317	1,106	17.5%	6,385	1,160	18.2%
United Kingdom	2,958	466	15.8%	3,167	445	14.4%
Canada	5,751	3,168	55.0%	6,137	3,116	51.0%
L. America, Other W. Hemisphere	7,816	3,726	47.7%	7,519	3,391	45.1%
Japan	4,856	1,128	23.2%	5,304	1,287	24.3%
Australia, N. Zealand and S. Africa	1,725	388	22.5%	1,812	436	24.1%
Other Asia and Africa	7,488	841	11.2%	7,794	929	12.0%

SOURCE: USTTA, based on data contained in *Survey of Current Business*, September, 1984, Table 10, pp. 50-55, and September, 1985, Table 10, pp. 46-51.

NOTE: Service categories include travel, passenger fares, other transportation, fees and royalties, other private services and U.S. Government miscellaneous services.

[1] The EC-6 consists of Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands.

Changing Services for a Changing Market

Twenty-five years ago, when most of the United States' foreign visitors were English-speaking Canadians, there was little need for special language, dietary or tour services. Today, more than one-third (more than nine million) of the country's 20.8 million international visitors come from overseas, and 10-14 percent from Mexico.

These consumers require a broad array of specialized travel services, ranging from:

- foreign language-speaking airline personnel, tour guides, maitres d' hotel, waiters, telephone operators, and hotel concierge, reception desk, room service and cashier personnel;
- foreign language tour cassettes, menus, hotel laundry instruction forms and aircraft evacuation guides;
- universal symbol directional signs in airports, train and bus terminals and public facilities such as convention centers, museums and concert halls;
- foreign currency exchange facilities; and,
- special cuisine due to religious considerations or personal preference.

USTTA is working with public and community groups and the U.S. travel industry to create a fuller awareness of the overseas visitor's need for specialized travel services. Notable accomplishments during the last 25 years have included a nationwide "Invite and Welcome Foreign Visitors" campaign; a guide for community leaders, identifying essential visitor services and facilities; a Hotel/Motel Language Certification Program (U.S. hotels and motels whose switchboards, reception desks and restaurants are manned by employees speaking at least four major languages were verified by then-USTS and the names of the facilities were made available to foreign tour operators, travel agents and the general public); the development of medical and hospitalization coverage specifically for foreign visitors by a major U.S. insurance company upon USTS request; and preparation of a 30-minute instructional film and *Action Guide* for state and city tourism officials and industry groups portraying the problems encountered by, and service requirements of, foreign visitors.

Future Challenges

In the near-term, the declining value of the U.S. dollar on principal foreign markets, together with the entry of new-to-the-market U.S. firms into the international travel market, should result in continued growth in the United States' visitor arrivals from overseas. Most of these visitors will venture beyond the traditional U.S. gateways. Further expansion of visitor services will be necessary if this country and its travel industry are to meet these visitors' travel needs. Table III illustrates the growth in the overseas segment of the U.S. visitor market since 1961 and is indicative of the volume of new services which has had to be developed.

The composition of the U.S. visitor market will con-

TABLE III

Change in the Composition of the U.S. Travel Market—1961-1984

Origin	Arrivals in the U.S. in 1961	Arrivals in the U.S. in 1984	% Change
Japan	19,872	1,414,909	7,020
Hong Kong	1,561	93.426	5,885
Spain	4,477	90,946	1,931
Brazil	9,334	168,508	1,705
Philippines	4,732	83,937	1,674
Germany, F.R.	38,028	545,247	1,334
Switzerland	11,051	156,157	1,313
France	24,270	330,660	1,262
Colombia	11,798	157,896	1,238
Italy	16,425	218,379	1,230
New Zealand	6,570	86,136	1,211
Australia	18,897	231,429	1,125
Sweden	9,431	115,307	1,123
Mexico	197,710	2,300,000	1,063
United Kingdom	93,653	927,574	890
Netherlands	15,295	134,192	777
Venezuela	21,127	169,666	703
Argentina	18,224	82,579	353
Canada	4,680,000	10,981,949	135

United States Travel Service, *Second Semi-Annual Report of the Secretary of Commerce on the United States Travel Service*, "Appendix D, Statistics, Table I," (Washington, D.C., 1962), p. 4.

United States Travel and Tourism Administration, *Summary and Analysis of International Travel to the United States*, "Top Twenty Tourist-Generating Countries, January-December 1984," (Washington, D.C., 1985), p. 3.

TABLE IV

Comparative Impact of Visitors from Overseas on the U.S. Economy

Residence of Visitor	Mean Expenditure Per Visitor in the United States	Mean No. of Nights Spent in the United States	Mean Expenditure Per Visitor Per Day
Africa	$1,901	27.7	$65
Middle East	1,763	38.5	47
Far East	1,184	18.7	65
Japan	1,013	12.6	86
Other	1,596	33.8	49
Oceania	1,241	23.3	56
Europe	1,026	22.7	46
Germany, FR	1,069	22.5	47
U. Kingdom	839	17.1	46
South America	1,362	27.1	54

SOURCE: USTTA, *Inflight Survey*, "Overseas and Mexican Visitors to the United States," January-December, 1984.

America Catch the Spirit

CONTINUED

tinue to change in the years ahead. Already countries which even five years ago were not important sources of tourism business for the United States are emerging as promising new markets. Hong Kong now ranks 20th among the U.S.' top 20 tourism-generating countries, India is moving up rapidly, as is South Korea. United States visitor volume from distant Asian markets exceeds arrivals from closer, industrialized countries in Western Europe.

In 1984, the United States received more visitors from Hong Kong than from Spain and twice as many visitors from Hong Kong as from Austria. It welcomed more than twice as many visitors from India as from Finland, almost as many from South Korea as from Ireland, and more from Saudi Arabia than from Denmark. Visitors from the Near East and Asia accounted for nearly 12 percent of all visitors from overseas (up from 0.8 percent in 1961). Tourists from the Middle East spent 72 percent more per visitor in this country than those from Western Europe and stayed here 16 nights longer; those from the Far East (with the exception of Japan) spent 56 percent more than those from Western Europe and stayed 11 nights longer (Table IV). In 1983, for the first time, and again in 1984, U.S. tourism earnings from Japan exceeded receipts from the "EC-6."

In some respects, these facts are not surprising. Some Asian and Middle Eastern currencies registered gains against the dollar between 1976 and 1984, benefiting from petroleum prices, while European currencies fell

TABLE V

What Residents of Other Countries Spend on Tourism Abroad: the World's Largest Tourism Markets 1976-1983

(Millions of SDRs)

Country	1976	1977	1978	1979	1980	1981	1982	1983	1984	Average Annual Increase/ Decrease
Germany, F.R.	7,893	9,423	11,425	13,464	15,511	14,566	14,696	14,048	13,587	9.0%
United Kingdom	1,653	1,771	2,366	3,501	4,907	5,515	5,763	5,770	5,985	32.8%
Canada	2,743	2,969	2,881	2,614	3,007	3,443	3,670	4,588	4,926	9.9%
Japan	1,440	1,841	2,949	3,723	3,525	3,919	3,733	4,149	4,497	26.5%
France	2,963	3,363	3,430	4,018	4,620	4,847	4,649	4,013	4,163	5.1%
Netherlands	1,716	2,101	2,711	3,081	3,595	3,008	3,088	3,020	2,937	8.9%
Austria	1,324	1,805	1,959	2,296	2,407	1,998	2,048	2,248	2,101	7.3%
Switzerland	1,053	958	1,337	1,588	1,830	1,823	2,015	2,151	—	14.9%
Belgium-Lux.	1,251	1,624	1,898	2,294	2,526	2,449	1,982	1,959	1,909	6.6%
Mexico	1,401	1,013	1,715	2,265	3,206	5,240	2,891	1,778	2,121	6.4%
Italy	615	765	963	1,168	1,465	1,408	1,571	1,697	2,043	29.0%
Norway	701	902	999	1,048	1,134	1,368	1,601	1,591	1,536	14.9%
Australia	1,010	996	1,087	1,191	1,347	1,571	1,684	1,596	2,109	13.6%
Sweden	937	1,068	1,144	1,568	1,699	1,867	1,728	1,520	1,622	9.1%
Kuwait	216	263	308	639	1,029	931	1,180	1,396	1,503	74.5%
Denmark	650	805	918	—	—	1,088	1,203	1,130	1,196	10.5%
Venezuela	582	909	1,317	1,345	1,536	2,012	2,649	983	1,049	10.9%
Malaysia	170	209	268	379	556	575	754	902	1,065	65.8%
Spain	350	455	450	713	944	861	918	837	819	16.8%
Saudi Arabia[1]	582	797	1,927	2,351	1,885	2,342	—	—	—	60.5%

SOURCE: International Monetary Fund, *Balance of Payments Statistics Yearbook*, Part 2, Table C-5, Travel, Volumes 34, 35 and 36.
U.S. Travel and Tourism Administration.
[1] 1982, 1983 and 1984 data unavailable.

NOTE: An SDR is a unit of exchange used by the International Monetary Fund which fluctuates in value. Conversion Rates: U.S. Dollars Per SDR: 1976: 1.1545; 1977: 1.1675; 1978: 1.2520; 1979: 1.2920; 1980: 1.3015; 1981: 1.1792; 1982: 1.1040; 1983: 1.0690; 1984: 1.0250.

from 10-60 percent. New middle and upper classes have emerged in the oil-producing nations and they can afford to travel. Hong Kong, Malaysia, Japan, Indonesia, and Singapore do not have travel allowance restrictions, nor do Kuwait, Qatar, the United Arab Emirates, or Saudi Arabia. On the other hand, Austria, Belgium-Luxembourg, Denmark, France, Norway, Spain, and Sweden do impose limits on the amount of money they will permit their nationals to spend while traveling internationally.

The so-called Industrial Countries still account for the largest share of world spending on travel (nearly 79 percent in 1984), but the importance of markets in Asia and the Middle East has been growing. Two such countries, Kuwait and Malaysia, today rank among the top 20 markets in the world (Table V).

Technological change is likely to continue to revolutionize the infrastructure of the travel industry as well as its operational procedures, productivity, and product. Stepped-up research on supersonic-combustion ramjets (sometimes referred to as "scramjets") is reportedly under consideration. If successful, the new technology could make it possible to manufacture aircraft capable of flying from the east coast to the west coast in 12 minutes and around the world in 90. Such a plan is far from reality, but if and when it is developed, its implications for travel and tourism could be profound.

Impediments to fair market access, such as travel allowance restrictions, are likely to continue to tax our marketing ingenuity. If the world travel market is to achieve the kind of growth in the nineties and beyond as it did during the early and mid-seventies, then impediments to trade in services must be placed on the General Agreement on Tariffs and Trade (GATT) agenda. Internationally-accepted rules that govern the conduct of trade in invisibles—including tourism—must be established and governments must enter into legally-binding commitments to apply those rules.

Uniting the U.S. Travel Industry

Finally, I believe that enlarging the existing "Visit USA" coalition—bringing more of the travel industry's one million businesses together in joint marketing endeavors, especially in the rapidly-emerging markets—will remain one of our challenges in the next 25 years. Although there have been notable cases of both horizontal and vertical integration within the U.S. travel industry, perhaps no other industrial segment is as diverse, occupies so many standard industrial classification categories, and is so physically dispersed (Table VI).

Uniting the components of this industry in an effective marketing "coalition" that can compete on an equal footing with often publicly-owned foreign tourism conglomerates and multinational consortia must be a continuing priority as the United States struggles to expand its share of a rapidly changing global market.

TABLE VI

30 Major Industrial Components Which Comprise the U.S. Tourism Sector[1]

4011	Railroads
4111	Local and suburban transit, including airport transportation and local bus operation
4119	Local passenger transportation not otherwise classified, including sightseeing buses and limousine rental
4121	Taxicabs
4131	Intercity and rural highway passenger transportation
4142	Passenger transportation charter service, except local
4431	Great Lakes-St. Lawrence Seaway transportation
4459	Sightseeing boats, water taxies, swamp buggy rides and excursion boats
4469	Marinas
4511	Air transportation, certificated carriers
4521	Air transportation, non-certificated carriers, including sightseeing plane service
4722	Arrangement of passenger transportation, including travel agencies and tour operators
5541	Gasoline service stations
5812	Eating and drinking places
5813	Eating and drinking places
5946	Camera and photographic supply stores
5947	Gift, novelty and souvenir shops
6052	Foreign exchange establishments
7011	Hotels, motels and tourist courts
7032	Sporting and recreational camps
7033	Trailer parks and camp sites
7512	Automotive rental without drivers
7922	Theatrical producers
7929	Bands, orchestras and other entertainment groups
7941	Professional sports clubs
7948	Racing, including track operation
7993	Coin-operated amusement devices
7996	Amusement parks
7999	Amusement and recreation services not classified elsewhere
8400	Museums, art galleries, botanical and zoological gardens

SOURCE: U.S. Department of Commerce Standard Industrial Classification (SIC) categories.

[1] Some tourism sector components serve residents of the destination as well as tourists (e.g., taxicabs, marinas, eating and drinking places, camera and photographic supply stores).

America Catch the Spirit CONTINUED

Travel and Tourism Trade—Past, Present and Future

The internationalization of the world economy, beginning in earnest after World War II, picked up irreversible momentum in the mid-1970s and permanently changed this country's ability to rely on domestic economic development as the foremost means of business receipts and employment generation. The words "international trade" are now on the lips of business leaders and in the boardrooms of progressive companies at home and abroad. Shifting business strategies from domestic to global orientation is no longer a choice but a must for every sector in the U.S. economy.

The complexion of U.S. business from a macroscopic standpoint has changed over the past 25 years as well. Expansion of the automobile and housing industries during the post-war period brought new growth and stability to U.S. domestic markets, attracting enormous influxes of foreign products and services. The emergence of these industries sparked the growth of services such as insurance, tourism, transportation, real estate, construction, engineering, and architectural services. Technology hastened the shift to services employment by making it possible to vastly improve manufacturing and agricultural efficiency and productivity. As business became more sophisticated and competition more intense, increased demand for marketing, financial, advertising, legal, and accounting expertise was met by the up-and-coming service sector. By 1979, more than half of the labor force was employed by service industries in the private sector.

As Western Europe and Japan pumped a steadily increasing volume and variety of products into the world marketplace in the late 1950s, new trade relationships and policies began to emerge. Governments across the world developed independent trade strategies consistent with their unique political and economic systems, precipitating the transition from the 19th century bilateral trade agreements between the United States and several European nations to the complex multilateral GATT agreements to which 90 governments subscribed by the end of 1983. In 1959, the United States experienced its first trade deficit with Europe in a century, and the net effect has been a deterioration in trade perform-

Attending a recent World Tourism Organization (WTO) meeting at the State Department are (from left): New Secretary General of WTO Willibald P. Pahr of Austria; retiring Secretary General of WTO Robert C. Lonati of France; Under Secretary Donna Tuttle; and Eric Friedheim, publisher of Travel Agent Magazine *(an affiliate member of WTO).*

ance in terms of a 30 percent decline in U.S. share of world exports between 1960 and 1982.

But the manufacturing sector was clearly not the only victim of aggressive foreign competition. In a post-war goodwill effort, the United States developed policies which encouraged overseas travel by its citizens, and sought to eliminate or reduce restrictions imposed by foreign countries. As foreign governments began enjoying a steady stream of American tourism dollars in their economies, they recognized the enormous untapped potential of the U.S. travel market. During 1959, foreign government travel interests spent over $20 million in the United States to operate tourist offices and for media advertising. In 1960, 1.5 million Americans spent over $2 billion traveling in other countries, while only one-third as many foreign citizens came to the United States to spend only one-half as much. With $50 returned on every promotional dollar investment (50 to 1), international tourism became an economic mainstay in many foreign lands, while here in the United States, the travel deficit in 1959 accounted for more than one-quarter of the entire balance-of-payments deficit.

Concerns voiced over the trade deficit today are almost echoes of concerned voices a quarter of a century ago. Several far-sighted leaders in the Congress in 1961 garnered enough support to pass the International Travel Act, establishing our first National Tourist Office, the United States Travel Service (USTS). Their rationale was identical to the reasons for continuing and expanding our National Tourist Office today: to establish a competitive force in the global tourism marketplace in the interest of narrowing the trade deficit and providing employment for U.S. citizens.

The United States Travel and Tourism Administration (USTTA, formerly USTS) now operates a global network of nine field offices, providing information to prospective travelers in Europe, Latin America and the Pacific. This program is reflective of tourism's economic power as the largest U.S. tradeable service export, which contributed $14.4 billion to the U.S. economy in 1983. Moreover, among the nation's ten largest export industries, tourism ranks second only to chemicals in terms of receipts. But the difficulty in making even that relatively simple determination is enormous, and illustrates why traditional trade policy is still remiss in addressing the services sector despite its economic dominance. *The Standard Industrial Classification (SIC) Manual*, for example, organizes all economic activity into 12 divisions and 82 "major" industry groups. Tourism has no SIC code. Likewise, the government tracks international goods trade with 10,000 specific product categories. All services trade falls into six aggregate categories.

Furthermore, documented statistics on tourism export receipts have thus far excluded the millions of dollars U.S. companies collect from their international operations. U.S. hotel chains continually penetrate ripe foreign travel markets, currently boasting over 233,000 guest rooms abroad. Likewise, U.S. car rental companies either own or franchise over 8,200 international operations. In addition, significant numbers of restaurant chains, amusements, and attractions have established a commercial presence in other nations. The bottom line figure from such overseas expansion not only profits U.S. business, but directly contributes to the U.S. balance of payments.

The Bureau of Economic Analysis (BEA) is proposing to collect such data through a survey of U.S. businesses mandated by the International Investment and Trade in Services Survey Act. Pending clearance from the Office of Management and Budget, this benchmark survey will provide estimates of U.S. export receipts from international investments to be included in the U.S. balance-of-payments and gross national product accounts.

Though BEA will provide documented evidence of foreign interest returns, a preliminary industry estimate of U.S. investment abroad counts over $680 million in export receipts.

International hotel operations repatriate almost $600 million in addition to at least $50 million in receipts from U.S. rental car companies and nearly $30 million from amusement parks and attractions.

Furthermore, the revenue generated by U.S. tour packagers who sell foreign tours to U.S. residents has been inaccurately counted as import dollars which negatively impact the trade balance. Such U.S. tour companies actually retain an estimated $500-$700 million annually of the revenue collected for tour packages abroad. Clearly, traditional accounting inadvertently miscalculates a significant segment of travel and tourism trade. Moreover, research reveals millions uncounted from the U.S. travel industry's international operations; the $14.4 billion accredited to travel export receipts is obviously a low approximation of just how many dollars the industry brings home from abroad.

Just as it drastically expanded in response to economic internationalization, the U.S. travel industry must now prepare to meet the demands of a changing global market. For example, the fast-growing countries of the Pacific Basin replaced Western Europe as America's dominant trading partner by 1980. Business between the United States and the Asian nations was 9 percent greater than that with Europe in 1980, rising to 24 percent greater by 1983. While most of this shift to the East has been negative to our overall trade balance, resulting in a $34 million trade deficit with Asia in 1983, the prospects for tourism trade are demonstrably positive.

As Pacific Rim countries have prospered, their inclination to travel internationally has expanded rapidly. The relative affluence of these countries relies to a large extent on exports to the United States, with the United States as the principal potential beneficiary of growing Asian out-bound tourism activity. Moreover, not only

America Catch the Spirit. CONTINUED

has there been impressive growth in out-bound tourism flows, economic indicators suggest latent travel demand is building to explosive proportions.

This is perhaps best demonstrated by comparing the travel pattern history and potential of the top ten Pacific tourism generating markets with our traditionally principal top ten European markets. The GNP per capita of the top ten Pacific Rim markets is expected to increase 2.5 percent annually, in real terms, through the end of the decade compared to an estimated 1.4 percent growth rate for the top ten European generating markets. Even though the improving affluence of Pacific Basin markets will be changing 74 percent faster than that of the European markets, only Japan, currently the industrial giant of Asia, will rank on a par economically with the top European countries by 1989.

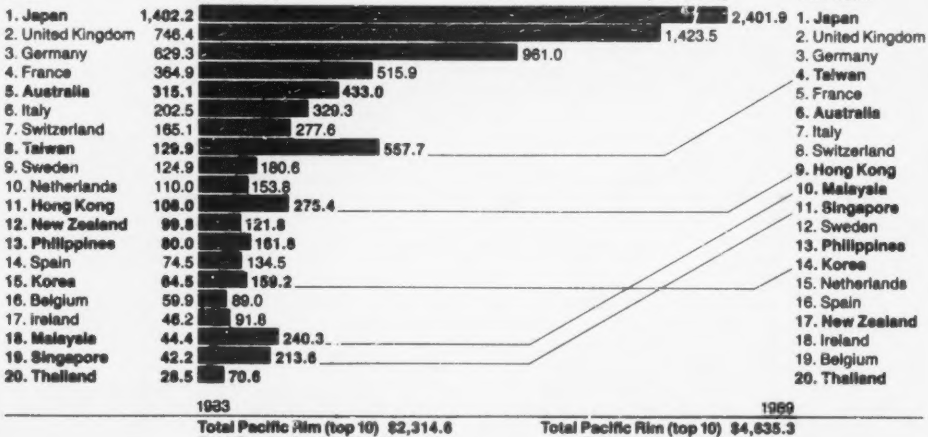
However, GNP per capita alone can be illusory in attempting to analyze market potential in the case of discretionary income usage, particularly in the case of travel. Savings rates in the top ten Pacific markets in 1981, for example, averaged 26 percent of GNP according to the World Bank, compared to 19 percent for the top ten European markets. But more significantly, and not measurable in terms of GNP, are relative savings rates per capita. The average Asian, regardless of income level, saves at a rate of an astonishing 37 percent higher than the average European. In addition, Asians have historically been resistant to following Western inclinations toward purchases through retail installment contracts or time payment schemes. What is significant when these characteristics are weighed together is that Asians are likely to accumulate resources into a perpetual source of disposable income, while Europeans are far more dependent upon a constantly fluctuating cash flow.

Historic data also suggest that residents of Pacific Basin countries are inclined to travel more than European country residents in spite of the disparity of apparent financial means as measured by GNP per capita. This is in part attributable to the higher savings rate in Asia coupled with a greater concentration of wealth than exists in Europe. In addition, Asian travelers tend to spend more money on their trips to the United States than European travelers, in part due to the fact that they have in the past tended not to make as many repeat visits to our shores.

In 1983, the top ten Pacific Basin generating markets accounted for $2.3 billion in U.S. travel receipts, excluding air fares, or about $200 million less than the receipts generated by the top ten European generating

Figure 1 Ranking by Total Travel Receipts Generated in 1983 and Projected to Be Generated in 1989 from Top Ten Pacific Rim Generating Markets and Top Ten European Generating Markets

Source: Travel and Tourism Government Affairs Council from USTTA data



markets. By 1989, the top ten Pacific markets are expected to account for $4.6 billion in U.S. travel receipts (in constant 1983 dollars), excluding air fares, or about $500 million more than the receipts generated by the top ten European generating markets.

U.S. Travel Receipts
(millions of U.S. 1983 dollars)

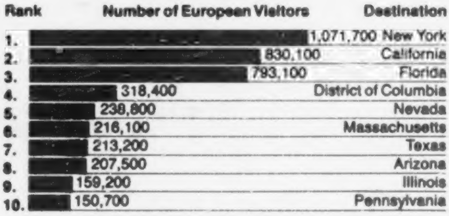
Total Pacific Rim	(top 10)	$2,314.6 (1983)	$4,635.3 (1989)
Total Europe	(top 10)	$2,523.7 (1983)	$4,157.0 (1989)

In terms of U.S. receipts generated by pleasure visitors only in 1983, the top ten Pacific markets accounted for approximately the same amount of U.S. receipts as the top ten European markets. By 1989, the Pacific markets are expected to generate nearly $1 billion more (in constant 1983 dollars) in U.S. travel receipts from leisure visitors than will likely be generated by the top ten European markets. Consequently, in only four years, the Pacific Basin will become our principal leisure travel market.

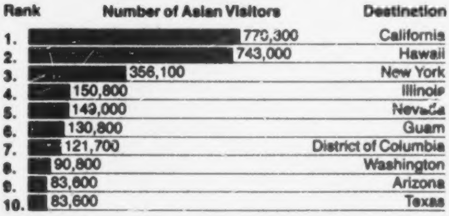
Travel Receipts Generated by Pleasure Visitors
(millions of U.S. 1983 dollars)

Total Pacific Rim	(top 10)	$1,891.3 (1983)	$3,952.0 (1989)
Total Europe	(top 10)	$1,898.4 (1983)	$2,977.4 (1989)

Figure 2 Top Ten States Visited by European Travelers (1983)



Top Ten States Visited by Asian Travelers (1983)



Source: United States Travel and Tourism Administration and Travel and Tourism Government Affairs Council

In terms of U.S. arrivals, the top ten European generating markets grew by nearly 66 percent between 1977 and 1983, rising from 1.6 million total visitors to 2.7 million. During the same period, however, the top ten Pacific markets grew by 80 percent from 1.1 million to two million. Arrivals from the European markets are expected to increase an additional 68 percent between 1983 and 1989, rising from 2.7 million total visitors to 4.6 million. But over the same six years, the Pacific Rim arrivals are estimated to increase by over 100 percent, from two million in 1983 to approximately four million in 1989.

	Total Visitors 1977	Percent Change 1977-83	Total Visitors 1983	Projected Total Visitors 1989
Total Pacific Rim (top 10)	1,111,600	80.0	2,000,700	4,020,400
Total Europe (top 10)	1,644,300	65.7	2,275,000	4,584,200

Pleasure travelers from the top ten European generating markets increased from 1.3 million in 1977 to a high of 3.2 million in 1981 before declining to 2.1 million in 1983. During this same period, pleasure visitors from the Pacific markets increased from 896,000 in 1977 to 1.7 million in 1981 and continued to grow through 1982 to 1.9 million before declining in 1983 to 1.6 million. Over the 1981-84 period in which the strong dollar had its greatest impact on world travel, compounded by worldwide recession during much of the period, pleasure visitors from the top ten European generating markets declined by nearly 41 percent while pleasure visitors from the Pacific Basin markets actually increased slightly (0.5 percent).

Apparent Impact of the Strong Dollar and Internal Economic Conditions

		Percent Change in U.S. Arrivals	Change in Number of U.S. Arrivals
Pacific Rim	(top 10)	+0.5%	+9,300
Europe	(top 10)	−40.6%	−1,316,700

Declines in overseas visitors experienced in recent years bottomed out in 1984 and visitor arrivals from both European and Pacific markets are expected to increase by approximately 7 percent in 1985, according to USTTA. Pleasure travelers from the top ten European generating markets are expected to increase from 2.1 million to 3.3 million between 1983 and 1989, an increase of 61 percent. The increase from the Pacific Rim markets is expected to be nearly double that (110 percent) and should grow from 1.6 million in 1983 to 3.4 million in 1989.

America. Catch the Spirit CONTINUED

Pleasure Visitors to the United States

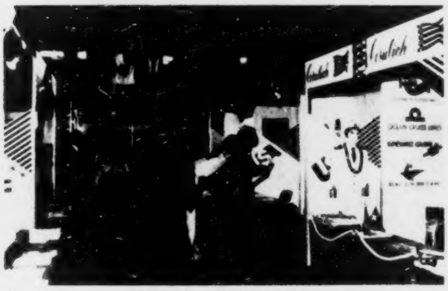
Total Pacific Rim (top 10)	1,637,900 (1983)	3,437,400 (1989)
Total Europe (top 10)	2,054,800 (1983)	3,306,200 (1989)

In 1983, almost five million more Americans visited the top ten European markets as arrived in the United States from these markets, creating a travel trade deficit of over $3.3 billion. The top ten Pacific Rim markets, on the other hand, generated 14,000 more visitors to the United States than they received. The tourism balance of trade is better with Japan than with any country in the world. We receive over 800,000 more Japanese visitors to the United States than Japan receives American visitors, accounting for an annual $1 billion surplus in our bilateral tourism trade. Overall, the Pacific Basin top ten markets generate $205 million more tourism receipts than they receive from American visitors.

Interestingly, comparative analysis between European and Pacific Rim tourism inflows further reflects escalating Asian interest in U.S. destinations. As the aggregate number of Asian and European visitors becomes increasingly comparable, the regional distribution of those visitors become remarkably dispersed between coasts. On a state level, the initial West Coast orientation of Asian visitors grows less pronounced because gateways serve the market as springboards as well as destinations. As cities, states, and private industry increasingly market the diverse tourism opportunities within the United States, supported by various affordable domestic transport alternatives, visitors from the Pacific Basin will increasingly travel to U.S. destinations other than Hawaii and California (Figure 2).

Japan, as the world leader in creating U.S. tourism trade surpluses, will likely create a tourism trade surplus of nearly $1.7 billion by 1989, in constant 1983 dollars. This does not take into account the recently announced Japanese initiative (July 1985) to increase outbound travel by one million persons annually. Should this initiative succeed, the U.S. surplus by 1989 could exceed $2 billion. With or without such initiatives from the East, the Pacific Basin is, and will remain, a very hot potential market for the U.S. travel and tourism sector, one of the most promising U.S. export opportunities in the world.

Should our projections prove accurate, the Pacific Basin will be on an equal footing with Western Europe by the end of this decade in terms of discretionary travel (pleasure visitors) arrivals and earned receipts. The Pacific Basin is currently a highly viable market for "Visit USA" travel and will likely continue to out-perform Europe in terms of market expansion through the balance of the century. The facts suggest that the leading countries of the Pacific Basin will soon surpass the leading countries of Europe as the most important source of overseas visitors to the United States. This does not and should not force an either/or tourism marketing choice. It requires choosing both regions for U.S. tourism promotion. Europe will remain a strong and growing market of major importance to our tourism export earnings . . . but the Pacific Basin is an emerging trade opportunity of *remarkable* proportions.



Providing companies with a highly visible showcase to promote American tourism, the USA group exhibit was among the main attractions at the 1985 Travel Trade Workshop in Bern, Switzerland.

Finally, we cannot afford to alienate, whatever our economic disagreements, an area which is not only a growing trade power but boasts 60 percent of the world's population, the world's three largest economies and five of the world's largest standing armies. If we are to contemplate these issues in a dispassionate and calculating environment, it becomes clear that our approach to Pacific Basin trade can positively or negatively influence foreign interests which to some degree transcend economic policy interests. If the options are carefully considered, these interests can coincide; lightly considered, they will almost certainly conflict.

This article was written by the staff of the Travel and Tourism Government Affairs Council, an affiliate of the Travel Industry Association of America. The Council was founded in 1982 to represent the travel and tourism industry viewpoint on legislative and regulatory issues of common concern. As a coalition of major national tourism and recreation organizations and companies, the Council's membership includes representatives from transportation, accommodations, food services, travel agents, tour sales and attractions. For more information on tourism trade, call or write: The Travel and Tourism Government Affairs Council, 1899 L St. NW., Suite 607, Washington, D.C. 20036; tel. (202) 293-5407.

U.S. Pacific Territories Offer Unsurpassed Tourism Business Development Opportunities

By Kittie Baier
Deputy Assistant Secretary,
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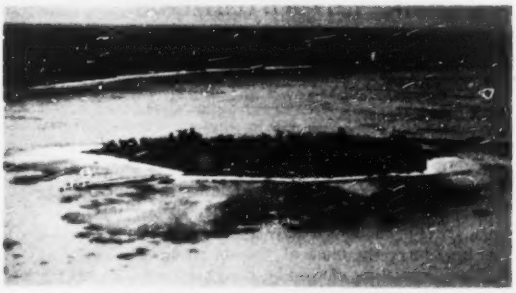
The American Pacific territories of Guam, the Northern Mariana Islands and American Samoa are well known by name to many Americans interested in the history of World War II or the literature and sociology of the Pacific areas. But, oddly enough, their allure to the tourist and potential for their tourism development are better known primarily to the Japanese, Australians, and other people of other fast developing Pacific Rim countries than to U.S. business persons. The Department of the Interior, through its technical assistance program for U.S. territories, recently sponsored a tourism development tour of these three Pacific territories. What the project team of government and private tourism specialists found was that these islands offer tourism business development opportunities unsurpassed anywhere in the world.

Interior's mandate, through its Office of Territorial and International Affairs, is to assist the U.S. islands to increase their self-sufficiency through greater development of the private sector. Assistant Secretary Richard Montoya is implementing a three-pronged technical assistance strategy for the Islands to improve government efficiency, privatize government services, and stimulate private U.S. investment. For example, in American Samoa, the government-owned marine railway and the major government-owned hotel have been leased to private operators. The team of tourism specialists found that the potential for tourism business development continues to be very promising, and that the Federal government and the territories are prepared to offer generous tax incentives and technical assistance to interested U.S. investors, developers, and entrepreneurs.

The first stop on our Pacific tour was **American Samoa**. This little known island paradise is located in the South Pacific about five hours flying time from Hawaii and Australia and is conveniently close to Western Samoa, Fiji, Tonga and the Cook Islands. It is made up of a cluster of small, lush, volcanic islands rising out of the blue water of the Pacific. The main island of Tutuila is a winding mountain range fringed with white beaches, coconut trees, and quaint villages. For scenic beauty, it is almost without comparison. An aerial tramway offers a breathtaking ride across Pago Pago harbor with a spectacular view of the island.

Samoa's outer islands, called the Manua' Group, provide a visit back into a time unspoiled by modern day development. Some of the best snorkeling, scuba diving, and sport fishing in the world can be found there. However, the real attraction of American Samoa is its people and the culture of these romantic islands. Samoa

Above left: Colorful Samoan dancer sways to the beat of native music. Above right: Modern Guamanian takes pride in ancestral heritage from Polynesia, Micronesia, the Philippines, Spain, America, Germany, China, and Japan.



The 14 islands comprising the Northern Marianas dot the South Pacific region of Micronesia like footsteps. Managaha Islands (above) is a prime spot for snorkeling and diving.

has somehow managed to balance contemporary American influence with a traditional culture dating back more than 2,000 years. American Samoa is raw material waiting to be developed and experienced.

Guam—Gateway to Micronesia, Hub of the Western Pacific—offers warm temperatures, lovely beaches and bargain shopping. Only three hours by air from Tokyo, Guam's location and climate have proven especially attractive to tourists from Japan.

Seventeen years ago, Guam had virtually no tourist industry. Today over 350,000 tourists visit Guam each year; 85 percent are from Japan, with only 6.4 percent from North America and Hawaii. Guam's facilities have been growing rapidly to keep pace with the demands of its new tourist industry.

Although the tourist industry is flourishing, the potential for further expansion in Guam is unlimited. Guam is a natural stopover for flights between Hawaii and other Pacific areas and the Far East. The beautiful terrain, waterfalls, and white beaches of Guam's undeveloped southern area offer a unique experience for visitors looking for an escape from the hustle and bustle of the busier beaches and tourist centers.

The Commonwealth of the Northern Mariana Islands, located just north of Guam, includes the main island of Saipan and the outer islands of Rota and Tinian. These are some of the loveliest islands of the Pacific. Lush jungles, crystal waters, white sand beaches, brilliant flame trees, and panoramic views all add up to make the Marianas "treasure islands." The Marianas were the scene of major battles during World War II and monuments and war relics abound.

Today, over 125,000 tourists visit the Northern Marianas annually—double the number of 10 years ago. It is a vacation area obviously enjoyed by its visitors since over 30 percent are repeaters. Like Guam, the Marianas attract tourists primarily from Japan. The Marianas Visitors Bureau, however, believes the potential for increased tourism from other parts of the world is tremendous. Although continued growth of the Japanese market is expected, the Northern Marianas are exploring the European (especially German) and North American markets.

There was a strong consensus among the tourism specialists sponsored by the Interior Department that there is excellent potential for the expansion of the tourist industry in the U.S. Pacific Basin territories. The stimulation of greater interest by U.S. investors is the key to their continued growth.

There is no doubt that the U.S. islands' attractions of scenic beauty, warm climate, varied recreational activities, and unique cultural experiences, have a great deal to offer the American tourist. But what do they offer the U.S. business person interested in tourism development? Here is where the territories really demonstrate their uniqueness; they can offer all the advantages of a familiar playing field for the U.S. investor, plus all the tax and trade advantages normally found only in foreign countries. Both the tourist and the business person will find the U.S. flag means political stability, dollar currency, English language, American legal systems and courts, American banks, and modern communications and transportation systems.

On income taxation, the familiar Internal Revenue Code applies as a territorial income tax. But—and here's the kicker—territorial governments can exempt or rebate from 75 to 100 percent of income tax liability for quality investment projects, and tourism projects definitely qualify. Furthermore, the Federal government recognizes the importance of investment in the territories by exempting qualified "possessions corporations" from any U.S. tax liability under section 936 of the Internal Revenue Code. The bottom line is a maximum income tax rate of 11.5 percent for qualifying projects for up to 10 years, with extensions available. Other locally levied taxes are low and also subject to exemption for investment projects.

In trade in tourism development, the territories offer the best of both worlds. They are free ports with no duties applied to imports from any source, and the United States exempts territorial products from U.S. duties as well. There are no restrictions on transfer of technology, information, or profits. And, although the labor force is small, workers can be freely brought in from the mainland and foreign workers, where needed, work in the islands under liberal local regulations.

For additional information on territorial business incentives, write directly to the territories' elected governors: The Honorable Ricardo J. Bordallo, Agana, Guam 96910; The Honorable Pedro P. Tenorio, Saipan, Mariana Islands 96950; The Honorable A.P. Lutali, Pago Pago, American Samoa 96799, or contact: The Territorial Investment Center, U.S. Department of the Interior, 18th & E Streets, NW., Washington, D.C. 20240, tel. (202) 343-4754.

Travel and Tourism: OECD Countries Move to Eliminate Travel Obstacles

By Albert N. Alexander
Office of Service Industries
International Trade Administration

Member countries of the Organization for Economic Cooperation and Development (OECD) are taking steps to eliminate impediments to travel and to the travel-related businesses in the 24-nation area which covers Western Europe, Scandinavia, the United States, Canada, Japan, Australia, and New Zealand.

A milestone was achieved when the OECD Council at its November 1985 meeting approved a new Instrument on International Tourism Policy. The Instrument reaffirms the importance of tourism to international understanding and goodwill and its contribution to the economic prosperity and international earnings of OECD member states. In recognition of these benefits, member countries agree to set up procedures to identify travel impediments and to take cooperative steps to eliminate them.

Leading U.S. Service Sector

The United States has been a leading backer of the work in the OECD to break down travel barriers. Travel and tourism is a leading U.S. service sector in terms of domestic employment and business generation. Estimates by the U.S. Travel Data Center indicate that spending on travel in the United States accounts for more than 6 percent of the GNP, and employs 4.6 million Americans or about 5 percent of the nation's total employment. Tourism ranks among the three largest industries in 39 states, and for some states it is first.

These figures are based upon estimates of domestic spending by U.S. and foreign travelers for goods and services provided by U.S. airlines, intercity bus companies, Amtrak, automobile services, commercial lodging places, campgrounds, vacation and second homes, eating and drinking places, amusement and recreation services, automobile rental without drivers, taxicabs, travel agents, and general merchandise and miscellaneous retail stores.

Work on the new Instrument was begun in 1981 by a special working group which inventoried existing barriers in the OECD area and assessed their severity. Drawing upon this information, a special drafting group chaired by the United States began in 1983 to frame the document and its annexes which set out recommended practices on customs and entry. The Instrument was also reviewed by other OECD groups which deal with trade, investment, and balance-of-payments issues.

U.S. participation in this work was coordinated by the interagency National Tourism Policy Council chaired by the Secretary of Commerce. Participating agencies include the Departments of State, Treasury, Transportation and Labor, the U.S. Trade Representative, the Customs Service, the Immigration and Naturalization Service, and Congressional representatives. Assistance came from such U.S. travel industry groups as the Travel Industry Association, the Air Transport Industry Association, the Air Transport Association, and the Travel and Tourism Government Affairs Council.

Reduction of Impediments

When the new instrument is fully in operation, the travel industries of the United States (and other OECD members) should benefit from reduction of such governmentally-imposed impediments as exchange controls which limit the amount of currency a national may purchase for travel abroad; exit visas; excessive departure taxes; stringent customs formalities, and so forth.

In coming months, the Department of Commerce plans to step up efforts to ease international travel by working closely with member agencies of the National Tourism Policy Council to amend U.S. policies and practices which impede travel to and from the United States. To carry out this goal, a subgroup of the Council chaired by the Department of Transportation is currently at work examining ways that U.S. entry formalities can be simplified. The United States currently welcomes over 20 million international visitors annually. Such work is being carried out with the advice and help of such U.S. inspection agencies as the Customs Service, Immigration and Naturalization Service, and the Agriculture and Plant Health Inspection Service. As to changes in U.S. policy, the Administration supports proposed legislation to liberalize current U.S. entry visa regulations for a trial period for travelers from a sample group of eight countries.

Also, Department officials will work with U.S. travel firms and associations to ease procedures and regulations abroad which restrict U.S. travel business. U.S. travel firms which are impeded by situations in OECD countries should bring these to the attention of the Department for possible action under the new Instrument. For additional information, telephone the U.S. Travel and Tourism Administration, tel. (202) 377-4746 (Office of Policy and Planning), or the International Trade Administration, tel. (202) 377-4581 (Transportation, Tourism, and Marketing Industries Division, Office of Service Industries).

Mission to China Finds Strong Interest in U.S. Telecommunications Technology

By Roger F. Stechschulte
Director, Office of Telecommunications,
International Trade Administration

China is making rapid strides in expanding and modernizing its telecommunications services but there is much yet to be done to achieve the goal of a modern, integrated nationwide system. U.S. firms have equipment and services that are of great interest to the Chinese because they can assist in these efforts.

These were the conclusions of the 17 members of a Telecommunications Technical Seminar Mission that visited China Dec. 7-19, 1985. Led by Deputy Assistant Secretary of Commerce George T. DeBakey, the mission consisted of representatives of Doran Photonics Inc., EDS, GTE Telenet Communications Corp., IGI Consulting Inc., Nynex Development Co., Pacific Telesis International, Sky Switch Satellite Communications Co., and Teradyne Inc. Roger F. Stechschulte, Director of the Office of Telecommunications in the International Trade Administration, and Theresa Rettig, the Office's Trade Promotion Officer, also participated.

The mission gave the Chinese an opportunity to meet and talk with companies offering a good cross section of state-of-the-art equipment and services. Members presented seminars in Beijing, Xi'an, and Shanghai on integrated services digital networks (ISDN), fiber optics, network management and administration, satellites, packet switching, and data transmission services.

The official host was the Ministry of Posts and Telecommunications (MPT). According to Yuan Jin, Deputy Director of the Department of Science and Technology in the MPT, telecommunications will remain a high priority in the Seventh Five-Year Plan which begins this year. He said that MPT's priorities are stored program control (SPC) digital switches, digital transmission media (microwave and satellite), data transmission, fiber optics, and automated maintenance and supervision of the network. The Ministry is under great pressure to increase the capacity and capabilities of the present system in order to meet current demands.

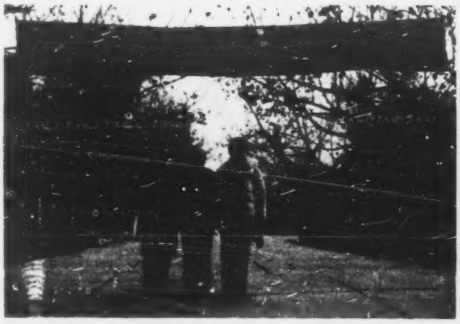
New, very advanced technology will be introduced selectively, according to the needs of particular areas, not nationwide. In coastal cties, existing technology will be replaced with the very latest technology. Traditional technology will be used for more remote areas. SPC digital switches have been imported to replace existing equipment in Beijing, Shanghai, and similar cities, while refurbished crossbar systems have been purchased for rural areas.

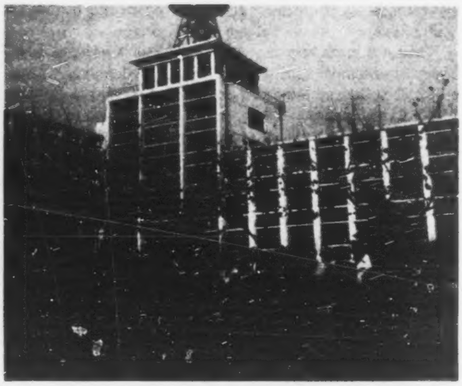
Mission members visited a variety of facilities during the trip, including the Long Distance Building in Beijing (where ITT Belgium is installing System 1240 digital switches), a local switch office in Beijing, the Data Communications Technology Research Institute, the No. 4 (microwave radio) Research Institute in Xi'an, the Silicate Research Institute in Shanghai, the satellite receiving station in Shanghai, and the Shanghai Bell Telephone Manufacturing Company plant. The last named is a joint venture between ITT's Belgian subsidiary and the MPT.

The audiences for the seminars were large and technically well qualified. They included not only MPT officials from the cities in which the seminars took place, but also officials from other cities suchs Wuhan and Chengdu, as well as teachers from local universities.

The local hosts in Xi'an were the Shaanxi Provincial Posts and Telecommunications Administration and the Fourth Research Institute. The Institute, one of 11 such research organizations operated by the MPT, is involved in applied research and limited manufacturing in the microwave radio equipment sector. During the course of the visit to Xi'an, officials of the Institute commented that Japanese and European firms do a better job of marketing than do American companies. As an example, they said that U.S. firms do not translate their sales literature into Chinese, whereas Japanese and European companies do. Mrs. Xie, the Director of the Institute, said that her organization would, for a fee to be agreed upon with a potential client, translate the U.S. firm's literature into Chinese and distribute it to appropriate organizations throughout China. Her address is: Mrs. Xie Bihau, Director, The Fourth Research Institute, Ministry of Posts and Telecommunications, 4 Xiaozai, Xian, China (cable: 02076).

Shanghai has an aggressive Posts and Telecommunications Administration (SPTA) which is moving rapidly to expand its system. Shanghai currently has 30 local exchanges with 300,000 telephone sets (270,000 lines) to service its 12 million people. Xu Thai Chao, Director of the Shanghai PTA, said that his Administration plans to more than double its capacity during the Seventh Five-Year Plan. In addition to doubling capacity, the SPTA also expects a leap forward during the new plan period in the technology it is using through, among other measures, installing the new System 1240





The U.S. Telecommunications Mission got a warm reception in China. Standing under a welcoming banner at the entrance to the Fourth Research Institute in Xi'an are, from left, George T. DeBakey, Deputy Assistant Secretary of Commerce and Mission Director; Mrs. Xie Bihua, Director of the Institute; and an engineer at the Institute who assisted with translation. Another mission stop in Xi'an was at the Research Institute for the Chinese Ministry of Posts and Telecommunications, above. Photo at left was taken in the Shanghai Bell Telephone Equipment Manufacturing Co. plant. Standing in front of a Teradyne testing instrument are, from right, Deputy Assistant Secretary DeBakey; V. Krikemans, Project Leader at the plant; and Denny Wong of Coopers & Lybrand's Shanghai office. Below, from left, are Simon Chan, Teradyne, Dr. Hsu Chang, Shanghai Jiao Tong University; J. Loontiens, Director, Shanghai Bell; Jeffrey Barker, Far East Marketing Manager, Teradyne; Xu Zhi Chao, Director, Postal and Telecommunications Administration of Shanghai (SPTA); Deputy Assistant Secretary DeBakey; Cheng Xiyuan, Deputy Director, SPTA (photo supplied by Teradyne).

switches. It is already possible, from the hotels in Shanghai, to direct dial the United States.

Mission members met with the local American business communities in both Beijing and Shanghai. Some 180 U.S. firms have representatives stationed in Beijing and 35 in Shanghai. In the latter city there were opportunities for some mission members to visit the Shanghai Bell Telephone Equipment Manufacturing Company's plant (formally opened the day the mission arrived). It has an annual capacity of 300,000 lines of System 1240 switches, but does not plan to reach that level of production for several years.

The mission members were continually reminded of the extent of competition they face from Japan and Europe. During the visit, the local press reported the commissioning of the new Dongdan Telephone Exchange, which will add 24,000 lines in eastern Beijing. The equipment for the new exchange was purchased from France. This report was graphic evidence that there is a market in China for modern telecommunications equipment and, at the same time, that U.S. firms will not be able to walk away with the market. Nevertheless, reports from the Ministry of Posts and Telecommunications following their evaluation of the mission's activities indicate a high level of interest in American equipment, services, and technology.

During the visit, Deputy Assistant Secretary DeBakey met with officials of the Ministry of Electronics. As a result of that meeting, a component and software trade mission is planned this May. Software companies interested in participating should contact Jack McPhee at (202) 377-0572, and component companies should contact Jack Clifford at (202) 377-2587. Another telecommunications trade mission is planned for early 1987.

U.S. Companies Invited to Host Chinese Students

During the trade mission to China described in the accompanying article, Deputy Assistant Secretary and Mission Director George T. DeBakey became the first U.S. government official to visit the Shanghai International Business Institute (SIBI). DeBakey spoke to the students about the organization and functions of the U.S. Department of Commerce and about U.S.-China trade relations.

SIBI is a cooperative project between the sister cities of Shanghai and San Francisco, established in 1984. The aim of the project is to train qualified managers to carry out the policy of opening the Shanghai economy to the outside world.

The first managers' class began in the fall of 1984, with an enrollment of 32 students. The second class, which began in fall 1985, has 16 students. The average age of the students is 35, and most come from foreign trade corporations in Shanghai. Most are already in managerial positions, with at least two years of work experience. Students spend two years (four semesters) in the program, receiving both international business and English language training.

George T. DeBakey, Deputy Assistant Secretary of Commerce and Mission Director, is pictured shaking hands with the Dean of Shanghai International Business Institute.

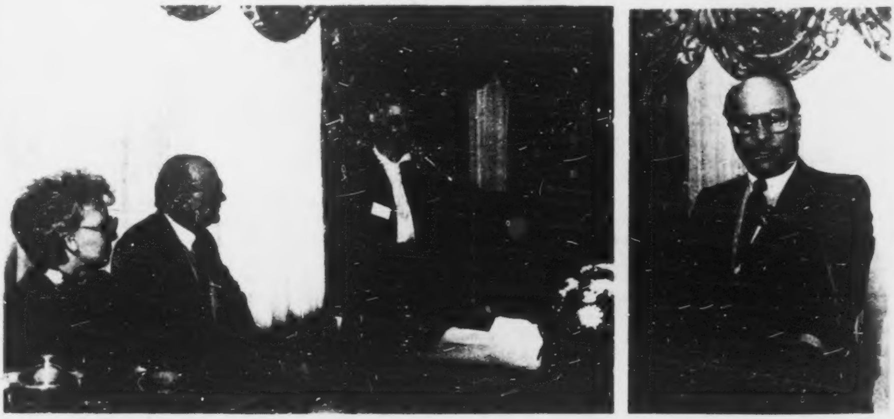
During the third term, the students study with American teachers, mostly from the San Francisco area. In 1985, five American teachers participated, teaching such courses as International Investment and Credit, American Business Law, Marketing, Strategic Planning and Decision Making.

During the fourth term, students work in the San Francisco area as interns in U.S. companies. The first group is expected to come to the United States this spring.

After returning to China, the graduates will return to their former companies to assume managerial positions, and are expected to play an important role in the future economic development of Shanghai.

Companies interested in sponsoring these students should contact the Foreign Commercial Service in Shanghai for more details. The address for the Consulate in Shanghai is: Economic/Commercial Section, American Embassy Shanghai, FPO San Fran 96659.

Israel Free Trade Agreement Spotlighted



Briefing business officials are, from left, Paula Unruh, Deputy Assistant Secretary, US&FCS; Clayton Yeutter, U.S. Trade Representative; and Loree Silloway, Director of the US&FCS Baltimore District Office. Right, Ambassador Yeutter.

More than 110 Washington, D.C. business officials attended a conference on the Israel Free Trade Agreement held Jan. 28 at the Capitol Hilton Hotel. The standing room-only event featured speakers well versed on the Agreement, and firms that plan to use it to increase their presence and profits in Israel. The conference was sponsored by the Maryland/Washington Export Council, the Rockville Branch Office of the U.S. Department of Commerce, and the government of Israel. Attendees heard from, among others, Ambassador Clayton Yeutter, United States Trade Representative; Paula Unruh, Deputy Assistant Secretary for the U.S. and Foreign Commercial Service; Wilfred Wright, Chairman of Heritage International Bank, the only U.S. bank with an office in Israel; Ephraim Breecher of Jos. Seagrams and Sons, New York; and Richard England, Co-Chairman of Hechingers, a large home center chain.

The Israel Free Trade Agreement will allow the duty-free trade of goods between the United States and Israel. It opens up significant opportunities, especially in research and development, and trade with Europe via Israel.

For further information on the Agreement, contact the Israel Information Center, Room 2039, U.S. Department of Commerce, Washington, D.C. 20230, tel. (202) 377-4652.

Administration Pursues Free Trade Pact with Canadians

President Reagan has formally notified Congress of his intent to pursue bilateral trade negotiations with Canada on a free trade agreement. Congress has 60 legislative days—until mid-April—to review or disapprove the negotiations. The Administration also will request this spring a U.S. International Trade Commission study on the effects of a bilateral agreement with Canada on the U.S. economy; the ITC will have six months to complete the study.

Formal negotiations with the Canadian government could begin in late spring or early summer of this year and are likely to last at least 18 months.

The U.S. government will be seeking private sector advice and guidance during the negotiations.

MOSS Talks Improve U.S. Market Access in Japan

Secretary of State George Shultz and Japanese Foreign Minister Shintaro Abe agreed Jan. 10 that important progress has been achieved as a result of the Market-Oriented, Sector-Selective (MOSS) discussions during the past year. These discussions have involved an intensive effort to remove impediments to market access in four sectors— telecommunications, medical equipment and pharmaceuticals, electronics, and forest products.

Schultz and Abe reported that, under MOSS, a number of positive changes have been made in conditions of market access in Japan that should create new market opportunities for American and other foreign firms. Further progress should be achieved through continued discussion in the MOSS framework.

MOSS is part of a broad joint effort to address various bilateral trade issues. The Secretary and the Minister said the MOSS organization will coordinate follow-up and will also oversee work in new MOSS sectors, where mutually agreed.

Foreign Industrial Output Resumes Upward Trend

Prepared by Herta Pittman
Office of Trade and Investment Analysis
International Trade Administration

Foreign industrial production rose 0.7 percent in October, after registering no gain the previous month. Output changes varied widely from country to country. Industrial output fell moderately in the United Kingdom and sharply in Italy, while gains were registered in the other five countries, with particularly strong growth occurring in Germany.

The ITA foreign production index covers 80 percent of OECD industrial production outside the United States. It is an early indicator of economic activity levels for major U.S. trading partners and provides exporters with a general measure of trends in foreign demand.

The U.S. economy appeared to have recovered from the late-summer economic slump and resumed its slow, steady upward trend. Revised data indicate that U.S. industrial output expanded by 0.6 percent in November, following two consecutive months of decline. The November upswing was powered primarily by increased consumer spending—despite already heavy consumer debt levels—favorable interest rate movements, continued improvement in home sales, and a moderate drop in the unemployment rate, plus basic confidence in the U.S. economy.

Country production—Japan and Canada, the only non-European countries in the ITA index, both reported increases in their industrial output. **Canadian** industrial production continued to reflect the country's overall growth, as industrial output rose 0.6 percent during October. Advances were registered across a broad range of industries, although output declines were noted in the electric machinery, primary metal, tobacco and machinery industries. Production of leather, and rubber and plastics jumped sharply, rebounding from a relatively poor September performance, and the furniture and fixture, nonmetallic minerals and the transportation equipment industries also registered impressive output gains. Canadian industrial production was 6.3 percent higher in October than it was 12 months before, giving Canada the best October-to-October growth performance among the seven countries comprising the ITA index.

After sizable declines in August and September, **Japanese** industrial production increased 0.7 percent in October, as export-led demand diminished producers' inventories and increased the value of shipments over September levels. Production in the mining, precision instrument and nonferrous metals industries rose notably, and export-stimulated increases in auto production was the primary reason for the strong gain in transportation equipment output. In October, Toyota recorded the highest monthly production level in its history, with nearly 52 percent of its output exported to the United States. In addition, a surge in retail sales, which reflected the brisk sales in clothing during the month, and the recovery of the housing industry from a temporary downturn earlier in the year, contributed to the increase in output.

The current European recovery has continued, but at a restrained pace, as policies designed to control inflation and moderate budget deficits have shown some signs of success. Domestic demand has taken up the slack in foreign demand, and consumer spending has been growing faster than at any time since the 1970s. Despite these encouraging signs, unemployment remains high in several European economies, and uncertainty over the economic outlook appears to be inhibiting production.

French industrial production rose 0.7 percent in October, as robust domestic demand for investment equipment—in part spurred by a wage moderation policy, rising exports, and improved corporate financial conditions—and a moderate increase in output of semifinished products, outweighed a decline in energy output. Household consumption of industrial products also continued to improve in October. Despite these signs of improvement, the unemployment rate stayed high, and output remained below its peak in 1979.

Industrial output in **Germany** expanded 2.9 percent in October, stimulated by high export demand and continued growth in capital spending, especially by the manufacturing industries. Germany's cumulative trade surplus for the first ten months of last year reached a record DM 58.3 billion, exceeding the record DM 54.0 billion surplus registered for 1984 as a whole. Output advances were registered throughout the industrial sector, with especially strong gains in the mechanical engineering, textile, and transportation industries, while construction activity, aided by mild fall weather, rose a sharp 8.7 percent in October. The continuing economic upswing, together with the mild autumn weather, had also positively influenced the labor market in October, delaying seasonal layoffs in the service industries, as well as in construction and other outdoor occupations. The expansion in industrial output, however, has not yet significantly boosted employment and 8.6 percent of the labor force is still unemployed.

Italy's industrial production fell 3.8 percent in October, following two months of relatively strong growth. Compared with the first ten months of 1984, output in January-October 1985 was higher in the precision machinery, pharmaceutical and fiber, and rubber industries. However, these gains failed to outweigh declines in the petroleum, shoe, transport (excluding autos) and the wood and furniture industries. The leveling off of industrial production in 1985 was accompanied by high unemployment—the jobless rate reached 11 percent in October, and the youth unemployment rate is one of the highest in Europe—and reflects stagnant consumer spending and a growing trade deficit. On the brighter side, however, electric power consumption, an early indicator of industrial activity levels, continued to increase, a sign that the economic trend remains moderately growth-oriented.

Industrial production in the **United Kingdom** fell 0.3 percent in October. The drop was due entirely to lower energy production, especially of gas and electricity. Total manufacturing production rose 0.9 percent, 3.4 percent above the levels of a year ago. These manufacturing gains were led by the mineral products, and the food, drink and tobacco industries. However, there were some signs of weakness in the economy. For example, there were widespread declines in seasonally-adjusted retail sales. Even so, October marked the largest monthly total of new credit extensions by credit companies and retailers in the current economic recovery. Unemployment, which had fallen for the second consecutive month, still stood at over 13 percent in October.

Industrial production in the **Netherlands** increased 1.0 percent. This growth in output reflected the country's overall economic expansion. Production increases were reported in the food, construction material, and chemicals industries. These gains, however, were somewhat offset by a declining output in natural gas. Demand for Dutch goods continued to increase. The volume of imports also continued to rise, indicating a continued recovery in domestic consumption and investment. The economic recovery now underway has led to continued increases in employment. Nonetheless, unemployment was still at an unacceptably high level of almost 14 percent in October and will likely remain a long-term issue for policy-makers.

U.S. Industrial Production—Output in the United States increased moderately from October to November, rising by 0.6 percent. This increase represented the second strongest one-month output gain last year. One contributing factor to this modest growth was the inventory buildup in October at all stages of production and distribution. Industrial output registered increases in most major categories except construction supplies and mining, with the largest gain occurring in the defense and space sector, which has registered the most consistent production rise over the past few years. Output of consumer durable goods also advanced strongly, with particularly large gains in assemblies of autos and consumer-use trucks and household goods. Output of business equipment rose after two months of decline, reflecting strong investment demand, with the greatest expansion recorded in the transit equipment industry. Overall, November output was 1.6 percent higher than the year before.

Inquiries may be directed to the Office of Trade and Investment Analysis, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230, tel. (202) 377-5733.

Indexes of Industrial Production
(Seasonally Adjusted, 1980 = 100)

Month	France	Germany	Italy	United Kingdom	Netherlands	European Composite	Canada	Japan	Foreign Composite	United States
84 10	100.0	102.4	95.3	103.2	100.0	100.7	103.8	120.2	106.3	113.0
84 11	98.5	102.7	94.4	103.4r	101.0	100.4	105.5	120.7	106.4	113.6
84 12	96.3	102.0	94.9	104.0	100.0	99.8	106.4	120.0	105.8	113.5
85 1	94.8	102.7	91.1	105.7	108.0	99.8	105.6	120.0	105.8	113.8
85 2	98.5	102.3	99.2	105.2r	105.0	101.6	105.3	120.8	107.2	113.9
85 3	99.3	103.2r	99.5	107.2r	107.0r	102.6	105.4	118.4	107.2	114.2
85 4	97.8	103.1	95.2	108.2r	101.0	101.4	105.9	121.5	107.3	114.3
85 5	99.3	104.0	96.4	108.2r	103.0r	102.4	106.1	124.6	108.8	114.3
85 6	98.5r	105.7	99.1	108.3r	105.0	103.4	107.8r	122.3r	108.9	114.5
85 7	100.7	108.0	95.3	107.0r	101.0	103.6	109.6r	124.3	109.8	114.3
85 8	100.7	104.8r	95.7r	107.3r	103.0r	102.7	109.5r	122.8	108.7	115.3r
85 9	99.3r	105.3r	97.8r	109.1r	100.0r	103.1	109.6r	121.6r	108.7	115.1r
85 10	100.0p	108.4r	94.1p	108.8p	101.0p	103.8	110.3p	122.5r	109.4	114.7r
% Change	0.7	2.9	−3.8	−0.3	1.0	0.6	0.6	0.7	0.7	−0.3
% Change YY	0.0	5.9	−1.3	5.4	1.0	3.1	6.3	1.9	2.5	1.5

% Change = percentage change from previous period.
% Change YY = percentage change from same period in previous year.
r = revised, p = preliminary

'Going International' Workshop Planned for Austria in June

A second "Going International" Workshop will be held in Gmunden, Austria June 1-14, 1986. The workshop will bring a limited number of leading businessmen from the United States and European countries, including Austria, for a thorough exchange of marketing experience and establishment of meaningful business contacts. It is sponsored by the University of Linz in cooperation with the American Chamber of Commerce, Industrial Cooperation and Development Agency, and the United States Embassy in Vienna. Extensive contacts with the European business community are included as part of the program. For additional information write to Reno Industrial Trading Company, P.O. Box 6184, Ben Franklin Station, Washington, D.C. 20044-6184, or that company's Vienna office directly at Kelsenstrasse 2, 1030 Vienna, Austria; phone 78 75 11 ext. 465, telex 111884 RNA.

Turkey Establishes Free Trade Zones

Reflecting its trade and investment liberalization policies, Turkey recently established four Free Trade Zones, located on the Mediterranean and Aegean coasts near the cities of Adana, Yumertalite, Antalya, Mersin, and Izmir-Nemrut. Two of the zones, Antalya and Mersin, are ready for operation and are presently accepting applications from foreign firms.

They will function in the same way as free trade zones around the world, concentrating on commercial activities, transportation, re-export, transshipment, repackaging, warehousing and transit trade. The Mersin and Antalya zones are located with Turkey's largest and best equipped ports on the Mediterranean Sea. Both ports play a major role in Turkish trade with Europe and the Middle East. The Mersin free trade zone occupies 763,405 square meters of land consisting of roughly 115 parcels. The Antalya free trade zone encompasses 573,536 square meters of approximately 130 parcels of land.

Turkish and foreign entities which obtain an operating license will benefit from various incentives in both the investment and the production stages of their operations, including exemptions from taxes, duties and tolls. In addition, salaries of persons working within the free trade zones will not be subject to income taxes.

Interested U.S. firms may obtain incentives brochures and operating license application forms, both in English and Turkish, from the Turkish Embassy, 1606 23rd St. NW., Washington, D.C. 20008; tel. (202) 387-3200.

Price of ITA Commodity Reports Just Increased

The National Technical Information Service just increased the price of each report in the Commodity Series of ITA's Market Share Reports to $10.00 for domestic mailing and $20.00 for foreign mailing. The price for each report in the Country Series is still $11.00 for domestic mailing and $22.00 for foreign mailing. Add $3.00 shipping and handling fee per order.

See the *Business America* issue of Dec. 23, 1985 for the comprehensive list and order numbers for each of the 1,412 Commodity Reports and 88 Country Reports available for sale by the National Technical Information Service, U.S. Department of Commerce, Springfield, Va. 22161, tel. (703) 487-4650.

Seminars to Examine Foreign-Trade Zones

The National Association of Foreign-Trade Zones (NAFTZ) has announced three separate seminars on Foreign-Trade Zones to be held April 21-22 at the Sheraton Centre Hotel in New York, and June 3 at the Westin Crowne Center, Kansas City, Mo. The seminars are "in response to the increased role of Zones in economic development and the interest of companies in reducing costs to be more competitive in world markets." The NAFTZ is composed of over 200 companies and individuals involved in the FTZ program.

A General Seminar on Foreign-Trade Zones April 21 and June 3 will provide an introduction to the FTZ program—its history, background, application processing, how a zone works and its advantages, U.S. Customs procedures, current legislative issues, Customs audits, and how to operate a Zone.

On April 22, following the General Seminar at the Sheraton Centre in New York, the NAFTZ will sponsor a special seminar directed to Foreign-Trade Subzones and Users.

Those interested in attending may register for a single day or both seminars in New York. For further information, contact the National Association of Foreign-Trade Zones at 1101 Connecticut Avenue, NW., Suite 700, Washington, D.C. 20036; tel. (202) 857-1132, telex 89582.

ITA Publications Off-The-Press

The following publications were issued by the International Trade Administration in January 1986. *Country Market Surveys* are available, at $10.00 each ($9.00 each, if six or more are ordered), from the Office of Information Product Development Distribution, ITA, U.S. Department of Commerce, P.O. Box 14202, Washington, D.C. 20044. Single copies of *Foreign Economic Trends Reports* (FET) are available, at $1.00 each, from Publications Distribution, Room H1617, U.S. Department of Commerce, Washington, D.C. 20230. FET subscriptions are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, and cost $70.00 for domestic mailing and $87.50 for foreign mailing.

Country Market Surveys

Medical Equipment: Greece (CMS/MED/484/84)
Medical Equipment: United Kingdom (CMS/MED/412/84)

Foreign Economic Trends Reports

Belgium (FET 86-01)
Central African Republic (FET 86-05)
Ethiopia (FET 86-04)
France (FET 86-03)
Indonesia (FET 86-06)
Japan (FET 85-121)
United Kingdom (FET 86-02)

Other Releases

Official U.S. Sources of Export Assistance for Small Businesses. $1.00. This guide, prepared by the Office of Trade Finance, will assist U.S. small- to medium-size exporters to identify and utilize sources of U.S. government financial and trade information assistance. A complete list of agency contacts is provided for each program description. Additional trade information contacts are listed following the program section. Write Superintendent of Documents (see address above). Cite stock number 003-009-00470-5.

Country Market Profiles (CMP). CMP provides a comprehensive integration of market analysis, statistics, and trade contacts on one country, covering all industries considered by the foreign post to be the best U.S. export prospects for the country. The following reports cost $300.00 each and are available from the Office of Information Product Development Distribution (see address above): Canada (CMP/XXX/122/85), China (CMP/XXX/570/85), and Mexico (CMP/XXX/201/85).

International Market Research Reports (IMR). Each report analyzes the export opportunities and market behavior for one industry in one country. Aspects of the market such as market size, best sales prospects, competition, end-users, distribution, promotion, trade barriers and business practices are covered. The following reports cost $120.00 each and are available from the Office of Information Product Development Distribution (see address above)—Computers & Mini-Micro Systems: India (IMR/CMM/533/85); Industrial Process Controls: U.K. (IMR/IPC/412/85); and Pumps, Valves & Compressors: Saudi Arabia (IMF/PVC/517/85).

Foreign Market Briefs

Each day the Department of Commerce receives cables from U.S. and Foreign Commercial Service posts around the world describing foreign government actions and other developments and events that affect prospects for American business. Following are excerpts from a few of those reports.

SPAIN—At the Invest in the USA seminar organized by US&FCS Madrid and held at the Chamber of Commerce and Industry of Madrid on Jan. 16 there were 134 registered invitees. Seventeen state offices participated. State coordinators (Missouri and Puerto Rico) and state representatives expressed full satisfaction with the preparation and organization while rating overall results as satisfactory. All state representatives had several appointments, 72 in total.

HONDURAS—After operating in Honduras for 20 years, Bank of America has decided to sell its operations in this country. The Bank of America is the only wholly-owned U.S. bank operating in Honduras. According to its local manager, Bank of America is closing operations in Central America and the Caribbean because of high overhead costs which have hindered it from operating profitably. In Honduras, Bank of America expects to sell its assets to a local commercial bank owned by the Honduran armed forces. Absence of a U.S. bank in Honduras could be a negative factor in attracting U.S. investment to Honduras but it is unlikely to be the determining factor.

MEXICO—Governor Victor Cervera Pacheco, together with representatives of the public and private sector, inaugurated construction of an ambitious tourism complex in Progreso, Yucatan's shallow-water port, on Jan. 18. Sponsors include the Posada Hotel Group, which will build an 88-room Fiesta Americana hotel on the premises. Other sponsors are the Grupo de Yucatan, in which the Burmudez Group of Juarez has an interest, and the state of Yucatan. Merida businessman Carlos Bolio Ancona is also reported to hold a one-fourth share of the investment. The tourist complex, when completed, will include condominiums and villas as well as simple and luxury hotel rooms, plus restaurants, bar, swimming pool, and a harbor for up to 400 pleasure boats. The $11 million project is expected to be completed in two years.

EL SALVADOR—The Salvadoran economy continued its recovery by growing at a rate of 1.6 percent last year. The government of El Salvador's Economic Stabilization Plan introduced in January 1986 will encourage further growth and make it easier for U.S. exporters to promptly exchange Salvadoran colones for U.S. dollars. The economy remains essentially agrarian; agribusiness products are thus the most promising export categories. A significant benefit to American exports is the requirement that U.S. balance-of-payments support be used to purchase U.S. goods and services.

PAPUA NEW GUINEA—Largely because of fluctuating and depressed commodity prices, Papua New Guinea registered little or no real growth in its overall economy in 1985. Nevertheless, general business conditions were moderately buoyant through 1985 with the exception of heavy construction and building. Private sector employment was up about 5 percent. Inflation amounted to about 5 percent. Agricultural product prices receded in 1985—falling short of 1984 expectations. Further significant decreases are not expected in 1986, except in palm oil. These decreases will probably be offset by an expected bumper coffee crop coupled with exceptional world coffee prices. Recent modest increases in copper prices provided some relief for the mining industry, although still higher prices will be necessary if copper mining is to be profitable. The long-term outlook for gold mining is brighter with the potential development of high-grade ore discoveries and upward price trends.

CZECHOSLOVAKIA—Since the economic downturn of 1981-82, Czechoslovakia has experienced modest, but stable economic growth. Industrial output has increased 2-3 percent each year, progress has been made in improving productivity, and much of the country's hard currency debt has been retired. Little has been done, however, to address structural and systemic problems stemming from the country's aging industrial base, disequilibria caused by a rigid planning system, and widespread public apathy. Meanwhile, resource constraints are causing a gradual reorientation of the Czechoslovak economy away from imported energy and raw materials-intensive production toward "brain"-intensive sectors such as electronics, machine tools, services, exports and consumer goods. The post-1968 government of President and Communist Party Chief Gustav Husak has followed a deliberate policy of improving living standards aimed, at least in part, in ensuring domestic tranquility. However, it seems increasingly likely that resource constraints, structural and systemic problems and a shortage of foreign exchange may make it more difficult to continue this policy successfully in the future. While business opportunities for Western firms continue to exist, the outlook for exports of Western goods is, for the foreseeable future, not encouraging.

WEST GERMANY—There were no surprises in the government's official economic forecast for 1986. The predicted 3.0 percent growth rate looks increasingly conservative; even the Bundesbank expects 3.5 percent. The German banks offered qualified support for the Baker Plan (Editor's note: see *Business America*, Feb. 3, 1986, for details on the Baker Plan), but on the domestic front, both bankers and government are keeping their distance from the deepening financial crisis of the huge union-owned housing conglomerate, Neue Heimat. The coalition finally closed ranks on changes in Germany's store closing law, but they amount to a very small step forward. Capacity utilization hit 85.2 percent in December; inflation averaged 2.2 percent in 1985; and, the 1985 trade and current account surpluses rose to DM 73.3 billion and DM 38.6 billion, respectively.

MALAWI—Under the terms of the adjustment programs currently in place with the IMF and the World Bank, Malawi is committed to reducing government budget deficits and restraining external borrowing over the medium term. Reserve Bank approval continues to be required for each individual foreign exchange request, with strict preference accorded to such necessities as fuel, fertilizers, other agricultural inputs, spare parts, and raw and intermediate inputs for local industry. Gross foreign exchange reserves decreased in 1985, but are expected to continue under tight control, with priority assigned to imputs essential for agricultural and industrial production. Post believes that selected opportunities exist for increased penetration of U.S. goods in the Malawi market. The country's political stability, as well as its pro-western and pro-business attitude, have created an attractive climate for potential U.S. exporters.

IVORY COAST—Since 1960 the agriculture-oriented economy of Ivory Coast has continued to develop positively in the processing of its agricultural products, which began with only two main commodities (coffee and cocoa). Except for the pineapple processing sector, which has experienced maturity in its cycle of production, the Ivorian processing and canning industry today is about to expand, particularly with a small variety of local fruits and vegetables. With favorable measures taken recently through the new investment code, the industry's needs are more than ever concentrated in appropriate technological transfer, better equipment with high performance levels, and a package of realistic and relevant projects.

EGYPT—U.S. exports to Egypt fell 15 percent in 1985, largely due to tightening of foreign exchange. U.S. investment picked up in 1985, with a total of nine U.S. joint ventures beginning production or construction, or receiving approval.

ISRAEL—The Israeli economy showed signs of improving during 1985. The trade deficit was significantly less than in 1984 by more than US$2 billion. However, according to the Israel Center Bureau of Statistics, in the last two months of 1985 the trade deficit grew sharply and was substantially higher than in the same months of 1984, i.e., US$272 million in 1985 compared to only US$82.8 million in 1984.

Calendar For World Traders

March 3-4—New York—Paul Freedenberg, Assistant Secretary of Commerce for Trade Administration, will be the March 3 luncheon speaker at "Conference for Exporters: Techniques and Strategies," sponsored by the American Association of Exporters and Importers in cooperation with the U.S. Department of Commerce. The event will be held at the Grand Hyatt Hotel. For details, call Debra Perretti at (212) 944-2230.

March 3-4—Washington, D.C.—The Export-Import Bank of the United States is holding a program primarily directed toward the commercial banking community to explain the use of Eximbank programs through banking channels. For information, call (202) 566-8990.

March 4-7—Tampa, Fla.—Educational Development for International Trade is holding three seminars: Export Documentation and Procedures March 4, Letters of Credit March 5-6, and Import Documentations and Procedures March 6-7. The seminars will be repeated in Houston March 11-14, Baltimore March 18-21, San Francisco March 18-21. For information, call (212) 432-1205 or (201) 795-1200.

March 11-14—Houston—Educational Development for International Trade is offering three seminars: Export Documentation and Procedures (March 11), Letters of Credit (March 12-13), and Import Documentation and Procedures (March 13-14). For details, call (212) 432-1205.

March 12—Houston—The Houston World Trade Association will sponsor a seminar titled "Importing for Exporting" at the Hyatt Regency Hotel. It is designed to show how the strong dollar's effects on exports can be at least partially overcome by using imports as a tool to improve export potential. For details, call Robert T. Handy at (713) 225-0967.

March 12-14—New York—The World Trade Institute is sponsoring a course titled "Documentation Preparation for Export and Import" at its headquarters (One World Trade Center, 55th Floor). For details, call Eunice Coleman at (212) 466-3170.

March 13—Washington, D.C.—A program to provide information about business opportunities arising from Bank-supported projects will be held at World Bank headquarters (1818 H St., NW.). For registration details, call (202) 477-8830.

March 17-20—Washington, D.C.—Eximbank is sponsoring a training seminar for domestic and foreign banks that distribute its programs. For details, call (202) 566-4490.

March 18—Canoga Park, Calif.—"Special Tax Savings for the Exporter" is the topic of a seminar sponsored by the Valley International Trade Association. For details, call Sue Heckler at QEP Services on (818) 704-8626.

March 19—Baltimore—The U.S. Department of Commerce is conducting a seminar titled "Doing Business with the Middle East." Special emphasis will be devoted to Israel, Egypt, and Saudi Arabia. For registration details, call (301) 962-3560.

March 19-21—New York—The World Trade Institute is sponsoring a course titled "Export/Import Letters of Credit" at its headquarters (One World Trade Center, 55th Floor). For details, call Eunice Coleman at (212) 466-3170.

Worldwide Business Opportunities

U.S. Promotions Abroad

U.S. Pollution Control Trade Mission To Austria, Switzerland, and the Netherlands. April 7-18, 1986. The U.S. Department of Commerce is organizing a trade mission to these countries based on their high potential for sales of pollution control equipment. The U.S. Foreign and Commercial Service in each country will conduct an intensive promotional campaign to ensure mission members a full schedule of carefully selected individual appointments tailored to each participant's business objectives. The participation fee for the mission is $1,640. Each participant will also be responsible for his/her travel and living expenses. With the number of participants limited to only eight U S. firms, places on the mission will go to applicants on a first-come, first-served basis. For further information, contact: Loretta S. Yonkers, U.S. Department of Commerce, Room H2805, Washington, D.C. 20230; tel. (202) 377-0564.

Europe Software 1986. Utrecht, Netherlands. April 8-10, 1986. Europe Software 1986 is sponsored by the Royal Netherlands Industries Fair in association with VNU Business Publications and supported by the U.S. Department of Commerce. This international computer trade fair is held annually at Royal Netherlands Industries Fair in Utrecht, and is the major software exhibition in the Netherlands. Market research indicates that the Dutch market for computer equipment, software and services is expected to grow from $1.6 billion in 1983 to $2.8 billion in 1987, with an annual average growth of 14-15 percent. Interested U.S. firms should contact: Vera A. Swann, U.S. Department of Commerce, Room 1104, Washington, D.C. 20230; tel. (202) 377-0396.

U.S. Forestry, Logging and Woodworking Equipment Catalog Exhibition to Australia, New Zealand and Papua New Guinea. April 10-22, 1986. This low cost catalog exhibition will be held in Auckland, Myrtleford and Port Moresby. It will feature all the equipment and machinery lines and supplies used in the forestry, logging and woodworking industry. For information call Elizabeth Ausberry or Louis Quay, tel. (202) 377-3973.

Ports, Transport and Equipment '86. Rotterdam, Netherlands. April 15-18, 1986. The U.S. Department of Commerce is organizing a USA pavilion to promote sales of U.S. equipment at this important international trade fair. Each year, government and private industries in the Netherlands invest the equivalent of hundreds of millions of U.S. dollars in all types of port-related equipment. Rotterdam, as the world's largest seaport—having handled more cargo than any other port for two decades—receives priority attention within the nation. In the coming eight to ten years, the 4,000 industrial concerns and 6,300 trade and transport companies located within the Rotterdam port area plan to invest some $3.7 billion. Areas which may offer particular opportunities for U.S. exports include: communication and information systems; computers; materials handling equipment; dockyard equipment; physical distribution; logistics; port authorities; pilotage, shipbrokers and air, road, rail, water and pipeline services; storage systems; and cranes, hoists and straddle carries. A fully constructed 3 × 5 meter exhibit booth will cost U.S. companies $2,150; outside space is available at an additional $30 per square meter to those companies which have taken an indoor booth. For further information or to reserve space, contact: Len Heimowitz, U.S. Department of Commerce, Room H-2124, Washington, D.C. 20230, tel. (202) 377-0558; telex: 89-25-36.

U.S. Mining and Extraction Equipment and Related Services Trade Mission to India (four stops). April 15-25, 1986. Participants in this event will find promising and rewarding market potential for American mining industry equipment and consulting services. The Indian market for mining equipment is expected to surge from $641 million in 1983 to $1.02 billion in 1987, an average annual real growth rate of 7.7 percent. The impetus for such growth is attributed to Indian economic development policy, which calls for massive investments for the implementation of the nationalized coal and other mineral sector projects. India plans to raise coal production by 55 percent during the 1985-90 period, reaching 235 million tons by 1990. In order to realize the targeted coal output, aggregate Indian purchases of mining equipment during 1985-90 are likely to exceed $4.2 billion. Spurred by the expected rapid rise in the use of advanced mining equipment, imports are forecast to rise from $147 million in 1982 to $240 million in 1987. Imports from the United States are projected to reach $72 million in 1987, up from $45 million in 1982. U.S. exporters accounted for 30.5 percent of Indian imports in 1983. The mission's itinerary includes two full working days in each of the four cities to be visited—New Delhi, Hyderabad, Calcutta and Bombay. The Foreign Commercial Service in each city will conduct an intensive promotional campaign to ensure mission members a full schedule of carefully selected individual appointments tailored to their business objectives. In addition, official receptions will be hosted at each stop by the head of the U.S. diplomatic post to provide participants the opportunity to meet socially with key local government and business decisionmakers. The number of participants is limited to only eight U.S. firms. The participation fee is $2,000. For further information or to reserve a place on the mission, contact George L. Zanetakos, U.S. Department of Commerce, Room H-2124, Wash., D.C. 20230; tel. 202-377-0552; telex 892536.

Zimbabwe International Trade Fair. Bulawayo, Zimbabwe. April 26-May 3, 1986. U.S. firms producing personal computer peripherals may be interested in participating in the 7th Annual Zimbabwe International Trade Fair. Last year, over 50 nations and foreign companies took part in the exhibition; over $50 million worth of business was concluded during the eight day fair. Cost per booth participation is $90 per square meter, ten square meters maximum. The U.S. Department of Commerce and the American Embassy in Zimbabwe will assist American firms with the site preparation. Further details can be obtained by calling the Commerce Department Zimbabwe Desk Officer in Washington at (202) 377-5148 or contacting Robert Konrath, State Department Economic Officer, at the American Embassy in Harare, Zimbabwe, telex 4591 USFCS ZW.

U.S. Medical and Health Care Equipment and Materials Catalog Exhibition to ten countries in Latin America. May 5-30, 1986. Countries include: Argentina, Chile, Paraguay, Uruguay, Costa Rica, Honduras, El Salvador, Guatemala, Dominican Republic, and Panama. A total of eleven two-day exhibitions (two in Honduras) will provide U.S. firms with an excellent opportunity to gain market exposure in these ten fast-growing markets in Central and South America. These events will cover all products in the medical and health care equipment and materials industry. Participants' product literature will be displayed at each event and an extensive market promotion campaign will be conducted to attract an audience of end-users, major agents, and distributors. A U.S. industry representative will facilitate the matching of each firm's market objective with the interest of the foreign buyer. At the conclusion of the event, participants will receive sales leads of firms interested in their product, a list of all the visitors attending the catalog exhibitions, and a follow-up report on the market. For full information on how your company can take advantage of this low-cost ($400) excellent marketing opportunity, contact Louis Quay or Bill Crawford on (202) 377-3973. The deadline for participation in this event is March 28.

U.S. Automotive Parts & Accessories Catalog Exhibition to India. May 8-20, 1986. India offers excellent market opportunities for American firms interested in selling automotive parts and accessories. For one low price, American firms may exhibit up to five product-line catalogs at these four exhibitions, which have proven to be especially effective for locating representation for new-to-market and new-to-export firms. These shows have also proven to be effective in developing new sales contacts for old-to-market firms. At the conclusion of each event, participants will receive sales leads of firms interested in their products or services, a list of all the visitors at the exhibition, and a follow-up report on the market. After three decades of technological stagnation, India's automobile industry is currently in the midst of a concerted program of technological upgrading in the areas of commercial vehicles, cars, motorcycles, scooters and mopeds. The government of India is following liberal and pragmatic policies in granting new licenses, allowing expansion of licenses capacities and permitting collaborations for upgrading and/or introducing new technologies. According to projections, the total demand for automotive components will amount to $2.4 billion in 1990. For further information call Liz Ausberry or Louis Quay at (202) 377-3973 or write to Elizabeth Ausberry, Rm H-2119, ITA/USFCS/EPS/AUTO RC, U.S. Department of Commerce, Washington, D.C. 20230.

Automotive Parts, Accessories, and Service Equipment Trade Mission to the Netherlands, Sweden and West Germany. May 11-23, 1986. The U.S. Department of Commerce has designed this mission in order to take advantage of the increasingly attractive market for automotive parts, accessories and equipment in the Netherlands, Sweden and West Germany. In the **Netherlands**, car sales are rising and have exceeded the 460,000-unit level. Dutch imports of parts, accessories, and equipment are projected to be $1.9 billion in 1985, or about three-quarters of total consumption. U.S. products in the Netherlands have a good reputation and, thus, find ready acceptance in the market. **Sweden's** imports of parts, accessories and equipment totaled $672 million in 1984 and are expected to increase at an annual rate of 6 percent for the next three years. Foreign sources supply virtually all of Sweden's automotive electronics, more than 90 percent of fully automatic test and diagnostic equipment, and almost 50 percent of all other parts and accessories sold in the country. Increased automobile production, new pollution abatement requirements, and a growing do-it-yourself market will present good opportunities for U.S. suppliers to export more to Sweden. The increasing use of computerized devices and high-tech components will make **Germany's** OE manufacturers more dependent on U.S. suppliers in the future. Imports represented 29 percent of the market in 1983 and are expected to rise to 35 percent by 1988. Furthermore, U.S.-affiliated auto producers can provide easy-access distribution in Germany. Because of a large vehicle population and several large domestic automakers, West Germany demands a large supply of automobile parts, accessories and equipment, so the United States could have significant sales opportunities there. For more information, contact: Oleg Jerschkowsky, U.S. Department of Commerce, International Trade Administration, Room 4036, Washington, D.C. 20230.

Food & Hotel Asia 86. Singapore. May 13-16, 1986. The U.S. Department of Commerce and the National Association of Food Equipment Manufacturers (NAFEM) in Chicago are jointly organizing a USA Pavilion at this renowned international show in Singapore's World Trade Center. In 1984, Food & Hotel Asia proved to be the most successful in its history. A total of more than 22,000 trade visitors attended the show, an 18.5 percent increase over the previous exhibition in 1982. While most of the trade visitors were based in Singapore, many also came from Malaysia, Indonesia, Australia, New Zealand, India, Hong Kong, Taiwan, Thailand, and other countries. Some 835 companies from 28 countries displayed their products throughout the 7,570 square meters of the World Trade Center. Therefore, participation in this show will offer excellent exposure to the market in Southeast Asia as a whole for food service equipment and related hotel and restaurant product lines. The U.S. Foreign Commercial Service in Singapore has reserved space for the USA Pavilion in 1986 comprising approximately 25 booths, measuring 3 by 4 meters or 12 square meters each, which will be allocated on a first-come, first-served basis. The participation fee is $2,700. For more detailed information and the necessary documentation for registration, contact Edward K. Kimmel, U.S. Department of Commerce, ITA/Rm. 4038, Washington, D.C. 20230, tel. (202) 377-3640.

Tropictronics/Amazon Fair II. Sao Paulo, Brazil, May 12-15, 1986. Manaus, Amazonas, Brazil, May 19-22, 1986. This dual-site event is Brazil's only exhibition featuring equipment and materials for printed circuit board and semiconductor packaging, production/processing, assembly and testing, as well as electronic components. This promotion is aimed at the Brazilian electronics industry in Sao Paulo and Manaus, and designed to attract buyers and end-users, importers, distributors, agents, licensees, joint-venture partners and key government officials. The concept is to expand U.S. business contacts from the traditional industrial southern part of Brazil to the newly-created light industry poles in Manaus (Industrial Free Trade Zone and Boom Town of the Amazon). U.S. overall exports to Brazil jumped almost 30 percent to $1.4 billion during the first six months of 1985. This was due to a somewhat less strict import policy made possible by Brazil's export successes. And, CACEX (the International Department of the Bank of Brazil) accords highest priority to the above described products since they are required to produce Brazil's exports. Contact Joseph Burke, TD/SE/OMI-Room 4044, U.S. Department of Commerce, Washington, D.C. 20230, tel. (202) 377-5014 or 377-2470.

U.S. Security and Safety Equipment Exhibition. Caracas, Venezuela. May 27-31, 1986. This U.S. Department of Commerce-sponsored exhibition offers excellent opportunities for U.S. manufacturers to enter the largest market in South America, featuring the latest in security, safety, and fire equipment. Currently, the United States maintains a 60 percent share of Venezuela's import market in the field, with a 20-25 percent real growth rate. Wide promotion of this event, SEGURIDAD '86, will be given by the U.S. Embassy and Consulate throughout Venezuela. The largest buying sector is industrial, but commercial and residential users are now growing rapidly and American products are highly regarded for their engineering, quality, and serviceability. Contact Ronald E. McCowen, tel. (202) 377-4836.

U.S. Food Processing/Packaging and Dairy Equipment Catalog/Video Catalog Exhibition, Beijing, Shenyang and Shanghai, China and Hong Kong, Hong Kong. June 9-20, 1986. The U.S. Department of Commerce in conjunction with the Food Processing Machinery and Supplies Association, the Packaging Machinery Manufacturers Institute, and the Dairy and Food Association is promoting a worldwide marketing program for the food processing/packaging and dairy industries. The event will receive wide promotion through these countries by the respective embassies and consulates with all major buyers and end-users of food processing/packaging and dairy equipment being invited. An industry representative will be present to answer visitors' questions about the product catalog on display. At the conclusion of the event, each participant will receive sales leads of firms interested in its products. Contact Grace Wiggins, U.S. Department of Commerce, Room H2119, Washington, D.C. 20230 or call Louis Quay or Grace Wiggins on (202) 377-3973.

Technobank '86. Geneva. June 10-13, 1986. Technobank '86 is a major international exhibition and symposium of technologies and services for banking and finance. With the growing need for automation in banking, efficient communications, and financial services, Technobank is an effective promotional platform and increasingly attracts visitors from newly industrialized countries and emergent markets. At Technobank '85, 5,200 professionals from 40 countries visited the exhibition and several hundred attended ten streams of conferences. Some 200 supplier companies were represented in the exhibition, including 25 U.S. firms. Exhibits of special interest covered information management and processing systems, computer services and software, security services and systems, printing of securities, bank architectural services, office equipment and furniture, insurance, brokerage, debt collection, factoring, accounting, and financial data bases. For information, contact Technobank's U.S. Agent, Francine Augier, COMEXPO, 1212 Bishop Road, Grosse Pointe, Michigan 48230, tel. (313) 882-5133, telex: 211894 DOSS UR.

Management and Technical Services Trade Mission to Indonesia, Malaysia, Hong Kong, and Taiwan. June 16-27, 1986. The U.S. Department of Commerce invites U.S. service firms to participate in a management and technical services trade mission to promote U.S. consulting and other management and technical services that improve productivity in all facets of an organization. This includes the operation, maintenance, training, and management of facilities, personnel, and information of organizations in both the public and private sectors. The mission will stop in Jakarta, Kuala Lumpur, Hong Kong, and Taipei. The opportunities for most types of management and technical services are good in all of these fast-growing markets. The government of Malaysia has instituted policies to "privatize" its economy including programs to develop the management and technical skills of private sector firms and personnel. Development plans of Indonesia, the largest ASEAN economy, are pimarily focused on communications and tourism, agriculture and irrigation, mining and energy, education and manpower training. At each stop, U.S. Embassy or American Institute in Taiwan personnel will arrange a complete schedule of briefings and appointments with local officials and business people. Most of the appointments are on a one-to-one basis and are tailored to the specific needs of the mission members. The mission is designed to help U.S. companies enhance their market position overseas and gain market exposure. For additional information, including market research, contact M. Bruce McAdam, Mission Director, U.S. Department of Commerce, Office of Service Industries, Rm. H-4312, Washington, D.C. 20230, tel. (202) 377-0346.

AGRITECH—U.S. Agricultural Equipment and Chemicals Trade Mission to Argentina, Uruguay, and Paraguay. July 5-17, 1986. Agriculture plays a major role in the economies of Argentina, Uruguay, and Paraguay, with agriculturally-based exports accounting for over 75 percent of total export earnings in all three countries. **Argentina** is a major world producer and exporter of agricultural products. Principal crops include wheat, corn, sorghum, oilseeds, and beef. Argentine imports of agricultural equipment were expected to rise from $36.4 million in 1984 to $43 million in 1985. Import growth rates of 18 percent are anticipated throughout the 1986-88 period. The agricultural chemicals market in Argentina is very strong, with domestic production accounting for only 25 percent of consumption. Agricultural chemical imports amounted to $106 million in 1984, of which the United States supplied $49 million. Imports are expected to grow at a 10 percent annual rate. In **Uruguay**, agriculture accounts for 15 percent of GDP, but agricultural products comprise almost 90 percent of merchandise exports. Livestock, primarily cattle and sheep, accounts for 65 percent of agricultural output; the crop sector is dominated by cereals, mainly wheat. Increased opportunities are foreseen in the rice and citrus sectors due to development loans from the World Bank and Inter-American Development Bank. Uruguayan imports of agricultural machinery and chemicals are expected to reach $13 million in 1986, and the United States maintains a 30 percent share of this market. Agriculture is the largest sector of the **Paraguayan** economy, accounting for 95 percent of export value. Principal crops are cotton and soybeans. Trade missions afford participants a cost-effective opportunity to meet key Agriculture Ministry officials and have private meetings with carefully selected agents and private sector buyers. Good sales prospects include: agricultural tractors, sowers, harvesters, and combines; sprayers and dusters; irrigation equipment; cultivating and plowing equipment; grain and seed specialty equipment; poultry, dairy farm, and other animal husbandry equipent; agricultural chemicals; and more. In Argentina, in particular, high-tech items will find the greatest appeal. For more information, contact: Mary R. Wiening, TD/CGIC/OSIM - Room H-2124, U.S. Department of Commerce, Washington, D.C. 20230, tel. (202) 377-4708; telex: 89-25-36.

U.S. Engineering and Construction Services Seminar Mission to Southeast Asia. July 6-19, 1986. Countries to be visited are Brunei, Burma, Thailand and the Philippines. **Brunei** has some $15 billion in foreign exchange reserves, no foreign debt, and a construction sector that is the country's top employer and accounts for some 20 percent of its non-oil gross domestic product. In **Burma,** the current annual budget for the construction sector under the country's Four-Year Plan is an estimated $393 million. Numerous infrastructure projects are receiving priority attention. A boom in private sector construction and several large-scale construction projects now in the planning stage highlight market prospects in **Thailand**. Projects planned include a world trade center, airport expansion, and petrochemical plants. In the **Philippines,** the mission will meet with Asian Development Bank officials and review emerging project opportunities. For further information, contact Robert Ruan, U.S. Department of Commerce, Office of International Major Projects, Room 2015B, Washington, D.C. 20230; tel. (202) 377-0359.

Automotive Parts and Accessories Fair. Sydney, Australia. July 8-10, 1986. The U.S. Department of Commerce invites U.S. automotive products manufacturers to show and sell their automotive parts and accessories in Australia. American automotive products enjoy an excellent reputation in Australia for quality and reliability and technology. U.S. companies accounted for $188 million worth of auto-related product sales in Australia in 1984, which represented 31 percent of total imports. The projection for 1987-88 is around 32 percent. Contact: Loretta Allison, U.S. Department of Commerce, H-4036, Washington, D.C. 20230, telephone (202) 377-1418.

ARTES GRAFICAS '86. Mexico City, Mexico. July 15-18, 1986. Graphic Arts Equipment and Materials Exhibition, ARTES GRAFICAS '86 will be sponsored by the U.S. Trade Center in Mexico City. The Mexican market for graphic arts machinery and equipment is one of the largest in the world. The total number of potential buyers may reach 7,750 when all printing facilities are taken into consideration. Total Mexican consumption of graphic arts machinery and equipment in 1985 is expected to be about $53 million. U.S. exports to Mexico for this industry are expected to reach $30.5 million during 1985, a gain of 30 percent over 1983 exports. U.S. market share in 1984 was estimated to be about 60 percent. If you would like a copy of a current market research summary covering this Mexican market or a complete information kit, call Charles B. Crowley, Project Manager, (905) 591-0155 or telex 1773471 USTCME. Contact Alexis Kemper, Commerce Department Office of Special Industrial Machinery, Room 2107, Washington, D.C. 20230; tel. (202) 377-5956, telex 89-2536.

U.S. Exhibition at LABEX '86. Sydney, Australia. July 21-24, 1986. This biennial fair in Sydney is the prime event for reaching customers and agents in Australia. LABEX caters to a broad range of equipment and accessories for scientific research, analysis and testing, and laboratory quality control. End-users are government research and testing laboratories, universities, industrial laboratories in chemical, petroleum, food, drink, tobacco, mining and manufacturing industries, as well as clinical laboratories. LABEX visitors include laboratory managers, laboratory scientists and laboratory technicians from industry, the universities and government. The 1984 LABEX attracted 4,000 high-quality visitors from throughout the Australian scientific community. Imports account for 80-90 percent of Australian demand for laboratory and scientific instruments. To increase your share of this stable and growing market, contact G.P. Gwaltney, Project Manager, U.S. Department of Commerce, Room H-1110, Washington, D.C. 20230; tel. (202) 377-3090.

ONS '86—Offshore Northern Seas 1986. Stavanger, Norway. Aug. 26-29, 1986. The North Sea Continental Shelf continues as a very active exploration/production area for offshore oil and gas. A high level of capital investment offers lucrative opportunities for U.S. companies to sell equipment, supplies and services. This biennial exhibition has proven an excellent vehicle to contact all the important North Sea buyers and decision-makers. As development progresses north, up the Norwegian coast, into deep water and hostile environments, oil companies will require new techniques and design solutions. Norway's growing capital investments and expenditures in petroleum exploration, development and operations will average some $6 billion annually from 1986 to 1989. The size of the Norwegian offshore equipment market has been estimated at $165 million in 1984, and $229 million in 1985. Imports accounted for $145 million in 1984 and $200 million during 1985. With local production limited to platform modules and structures and a small specialized part of the rotary drilling and surface equipment market, there are opportunities for suppliers, licensors and joint-venture partners offering solutions to deep sea and rough water operations. The areas with greatest potential include improved offshore recovery, subsea production and hydrocarbon transport systems. Again in 1986, the U.S. Department of Commerce will have a pavilion at ONS '86 to promote U.S. oil/gas field equipment manufacturing and service companies. We invite your company to exhibit and sell in the U.S. section of ONS '86, the most important North Sea petroleum exposition of 1986. For more information contact: Charles M. Cummings, U.S. Department of Commerce, Room H-2124, Washington, D.C. 20230; telephone (202) 377-5361; telex 89-25-36.

U.S. Pavilion at INPRODTORGMASH '86. Moscow, USSR. Sept. 3-12, 1986. The U.S. Department of Commerce will sponsor a U.S. Pavilion at the INPRODTORGMASH '86 which is the Soviet Union's international trade fair focusing on equipment for the food industry, trade and public catering in Moscow, USSR, Sept. 3-12, 1986. The American Pavilion at INPRODTORGMASH '86 is the first official U.S. participation in a Soviet trade fair since 1979. Soviet organizers of the fair have stressed interest in a wide range of U.S. machinery and equipment for the food industry, from grain drying and processing to foodstuff processing, packaging, handling, transportation, storage and quality control. Secretary of Commerce Malcolm Baldrige has received official assurances from the USSR's Foreign Trade Ministry that U.S. firms will again have market access in the USSR. Participation fee in the U.S. exhibition is $3,900 for a 3 × 4 meter (12 sq. meters) booth. The fee provides space rental, design and construction of the exhibition area, a market promotion campaign, and full support and services of the U.S. Embassy's commercial staff. Space applications will be accepted only through February 1986. To receive more detailed information, write or call Lars Lofas, U.S. and Foreign Commercial Service, Rm. H-1513, U.S. Department of Commerce, Washington, D.C. 20230, tel. (202) 377-4836.

Seoul Trade Fair Set for September

The Seoul International Trade Fair (SITRA '86) will be held Sept. 18-29, 1986 at the Korea Exhibition Center (KOEX) in Seoul, Korea. This event will be sponsored by the Ministry of Trade and Industry, and organized by the Korea Trade Promotion Corporation (KOTRA).

SITRA '86 will feature the introduction of a wide range of high-quality products by participating firms—many of them American. The fair will provide excellent opportunities for U.S. manufacturers to penetrate new markets, exhibit new products, and broaden contacts with prospective buyers from many countries.

For information and/or application form, contact: Korea Trade Promotion Center, 460 Park Ave., New York, N.Y. 10022; telephone (212) 826-0900, telex: 62995.

Commerce Department Certified Trade Events

Communications Tokyo 86. Tokyo, Japan. April 2-5, 1936. Communications Tokyo is the major exhibition for the telecommunications industry in Japan, attracting nationwide interest. Held annually for ten years, the event is a good way for U.S. companies to meet prospective customers in one of the world's leading markets for telecommunications equipment. The show is sponsored by the Communications Industries Association of Japan and is actively supported by the Ministry of International Trade and Industry, Ministry of Postal Services, and Nippon Telegraph and Telephone Public Corporation. The U.S. Pavilion is endorsed by the Electronics Industries Association (U.S.). Product displays by American companies will include carrier transmission equipment, cellular radio/mobile communication equipment, digital switching equipment, facsimile, fiber optics, office automation equipment, satellite communications equipment, telephone applications equipment, telephone sets, and telex/telegraph equipment. Show organizer contact: Ronald Akins, Director, International Marketing, E.J. Krause & Associates, Inc., 7315 Wisconsin Ave., Suite 303E, P.O. Box 70356, Washington, D.C. 20088; telephone (301) 986-7800. Commerce Department contact: Ms. Terry Rettig, Office of Telecommunications, Room 1114, Washington, D.C. 20230; telephone (202) 377-2952.

WIRE 86. Dusseldorf, West Germany. April 7-11, 1986. WIRE, the International Trade Fair for Wire and Cable, is a biennial event. It is being held for the tenth time, but the first time at the giant fairgrounds in Dusseldorf. The show will occupy four exhibition halls totaling more than 200,000 square feet and will feature a wide range of new and efficient equipment, including wire drawing, cabling, twisting, straightening, cutting, welding, coating, massive-forming, chemical and heat-treating machinery and equipment; machinery for making bent products, springs and chains; process control equipment and instrumentation for testing, counting, weighing and packaging; miscellaneous tools and supplies. Participating in the Commerce Department group exhibit is the most cost-effective way for American manufacturers to enter the international market. Over 25,000 visitors representing 60 countries are expected at WIRE 86. They will be looking for the technology needed to be profitable in an increasingly competitive world economy. Show organizer contact: Harry W. Buzzard, Jr., Wire Machinery Builders Association, 7297 Lee Highway, Suite N, Falls Church, Va. 22042; telephone (703) 533-9530. Commerce Department contact: Ed Abrahams, Office of General Industrial Machinery, Room 1510, U.S. Department of Commerce, Washington, D.C. 20230; telephone (202) 377-0312.

COMPUTER EXPO 86. Hong Kong. April 8-11, 1986. This is the only major computer show sponsored by the Hong Kong Computer Society. It will feature state-of-the-art computer equipment, supplies and services from firms around the world and is expected to attract in excess of 13,000 visitors from 20 countries, primarily from Asia and the Far East. Major product categories to be displayed are: mainframe, micro, and mini computers; peripherals, software, supplies and services; work station and computer support furnishings; word processing and data communication systems; and CAD/CAM equipment and automation products for education and training. Show organizer contact: Henry Pawlowski, President, Business and Industrial Group U.S.A., Inc., 1327 Conwed Tower, 444 Cedar St., St. Paul, Minn. 55101; telephone (612) 297-6836. Commerce Department contact: Judy Fogg, Office of Computers and Business Equipment, Room 1008, Washington, D.C. 20230; telephone (202) 377-4936.

EXPOMED. Brussels, Belgium. April 9-13, 1986. EXPOMED is the third biennial Trade Show for Medical and Hospital Equipment. There were 270 exhibitors and 14,000 visitors at the 1984 show, and larger numbers are expected in 1986. More than 800 foreign visitors from 26 countries attended in 1984. Product categories will include medical equipment and instruments, health care products, and medicine-related products. Technical programs will be based on new technologies and hospital management and operations. EXPOMED is being promoted widely in Western Europe and should provide a good opportunity for new-to-market and new-to-export firms to enter the European market. Show organizer contact: Didier Heiremans, 1902 T St., NW., Suite A, Washington, D.C. 20009; telephone (202) 265-2225. Commerce Department contact: George Keen, Office of Microelectronics and Instrumentation, Room 1104, U.S. Department of Commerce, Washington, D.C. 20230; telephone (202) 377-2010.

MICONEX'86. Beijing, People's Republic of China. April 16-22, 1986. The U.S. Department of Commerce has granted its Trade Fair Certification to SHK International Services to organize a U.S. Exhibition. The attendant international conference is cosponsored by the China Instrument Society, Instrument Society of America, Society of Instrument Control Engineers of Japan, and British Institute of Measurement and Control. MICONEX is regarded by its Chinese hosts as a very important exhibition and conference, both commercially and technologically. It will provide an excellent opportunity for U.S. companies to present their goods to an enthusiastic Chinese market. Suitable products include the latest in-plant control and automation systems, energy and environmental monitoring systems, medical testing and new technology in biological and genetic engineering. Show organizer contact: Lisa Moy, Marketing Manager, SHK International Services, Ltd., One Liberty Plaza, New York, N.Y. 10080; telephone (212) 766-6059. Commerce Department contact: Jeff Gwaltney, Office of Microelectronics and Instrumentation, United States Department of Commerce, Washington, D.C. 20230; telephone (202) 377-3090.

VIV-ASIA in Japan. Tokyo. April 21-24, 1986. VIV-ASIA is a joint venture of Overseas Exhibition Services (United Kingdom) and the Royal Netherlands Industries Fair. It is the sister exhibition of the world's largest animal production fair, VIV, held in Utrecht, Netherlands for over 20 years. VIV-ASIA will follow the highly successful show format, with necessary adaptations for the Japanese and Asian markets. Exhibited at the show will be all equipment, products and services related to poultry, pig and cattle production, breeding and feeding. Technical seminars will be held in

Japanese and English and will feature world renowned speakers from Europe, the United States and Japan. VIV-ASIA is being supported by the Japanese government and by Japanese trade organizations such as the Poultry Associations. Pig Association and Livestock Association. Extensive market research indicates that Japanese consumers are eating more meat and poultry and that producers are seeking intensive production equipment to meet this demand. New-to-demand companies are especially encouraged to exhibit at VIV-ASIA because of the many prospective customers expected to attend from Japan, Korea, China, Taiwan and Southeast Asian countries. Show organizer contact: James Shaw, Andry Montgomery and Associates, 101 North Seventh St., Louisville, Ky. 40202; telephone (502) 582-1672. Commerce Department contact: Mary Wiening, Office of Special Industrial Machinery, Room 2128, U.S. Department of Commerce, Washington, D.C. 20230; telephone (202) 377-4708.

INATEC '86. Cologne, West Germany. April 21-25, 1986. INATEC is a triennial international exhibition and congress devoted exclusively to machinery and equipment for unit operations in food processing. The show was first held in 1983, attracting 87 exhibitors from 10 countries and over 2,000 visitors from 32 countries. INATEC '86 will have 200 exhibitors and an expected audience well above the 1983 level. The show is supported by the German American Chamber of Commerce and Food Processing Machinery and Supplies Association (U.S.A.) and leading German trade groups, including the Institute for Food Processing Technology, Federation of German Food Manufacturers, and Process Technology and Chemical Engineering Association. Show organizer contact: Hans J. Teetz, Cologne International Trade Fairs, Inc., 666 Fifth Ave., New York, N.Y. 10103; telephone (212) 974-8836. Commerce Department contact: Irvin Axelrod, Office of Special Industrial Machinery, Room 2107, U.S. Department of Commerce, Washington, D.C. 20230; telephone (202) 377-0310.

DRUPA '86. Dusseldorf, West Germany. May 2-15, 1986. DRUPA '86 is the 9th International Fair for Printing and Paper and is the world's largest show for the industry. It is held once every four years. DRUPA '82 drew 1,275 exhibitors from 29 countries and 293,000 visitors from 138 countries. Over half of the exhibitors came from outside West Germany. The two-week exhibition will feature seven major product categories: composing and typecasting machinery; reproduction machinery; printing machinery; paper, paper converting and bookbinding machinery; materials, equipment and accessories for the paper making and paper and foil converting industries; printer's accessories; paper and board products. Show organizer contact: Dirk Meumann, Dusseldorf Trade Shows, 500 Fifth Ave., New York, N.Y. 10110; telephone (212) 840-7744. Commerce Department contact: Alexis Kemper, Office of Special Industrial Machinery, Room 2107, U.S. Department of Commerce, Washington, D.C. 20230; telephone (202) 377-5956.

Canadian High Technology Show. Ottawa, Canada. May 6-7, 1986. With 600 booths and 11,000 visitors anticipated, the 1986 show will be Canada's largest high-tech show. As many as 70 U.S. firms will exhibit in the U.S. Pavilion, which will feature electronics products including but not limited to amplifiers, capacitors, disc drives, hardware, graphics, microwave systems, peripherals, printers, relays, resistors, semiconductors, software, switches, telecommunications equipment, and testing equipment. International Marketing Services represents eight major international trade show organizers, primarily in Hong Kong, Singapore, Germany, and England. It is presently involved in 30 exhibitions staged around the world, most of them in China and Southeast Asia. Show organizer contact: Harry C. Lepinske, President, International Marketing Services Ltd., Clinton International Trade Center, 1719 South Clinton St., Chicago, Ill. 60616; telephone (312) 421-7700. Commerce Department contact: Joseph Burke, Office of Microelectronics and Instrumentation, Room 4412, Washington, D.C. 20230; telephone (202) 377-5014.

Coil Winding Asia '86—Electrical Design & Manufacturing Exhibition and Conference. Kowloon, Hong Kong. May 29-31, 1986. This is an international event dedicated to coil winding, electric motor, and transformer equipment and technology. This will be the first exhibition and conference of its kind ever held in Asia. With the increasing demand from the expanding electrical and electronic industry in the Far East, Coil Winding Asia '86 will provide an unparalleled opportunity for manufacturers and suppliers to discover new customers or solidify relationships with existing customers in the region. The electronics/electrical industry in Southeast Asia is growing fast and industrialists are predicting an export growth of over 30 percent for 1985. Show organizer contact: Rich Craig, Cahners Exposition Group, 7315 Wisconsin Avenue, Suite 1147N, Bethesda, Md. 20814; tel. (303) 657-3090. Commerce Department contact: Joseph Burke, Office of Microelectronics and Instrumentation, U.S. Department of Commerce, Room 4044, Washington, D.C. 20230; tel. (202) 377-5014 or 377-2470.

Canadian National Petroleum Show. Calgary, Alberta, Canada. June 10-12, 1986. The National Petroleum Show is a biennial international exhibition displaying oil exploration, transmission, processing, production equipment, and services for the petroleum industry. This is the largest industrial show in Canada and attendance at each show since 1974 has grown by over 10 percent. The 1984 show drew 984 exhibiting firms from all over North America, England, France, Holland, Sweden, Finland, West Germany, and Japan, with more than 40,000 visitors attending. The 1986 show will be held in the Round-up Centre and Stampede Corral as well as in the Big Four Building and Outdoor Exhibition Space on the Calgary Stampede Grounds. Exhibits at the 1984 show occupied 118,100 net square feet of inside space and 154,896 square feet of outside space, with 21,800 square feet devoted to 56 U.S. firms. Show organizer contact: Paul Schweitzer, Group Manager, Southex Exhibitions, Suite 527, Statler Building, 107 Delaware Ave., Buffalo, N.Y. 14202; telephone (716) 852-2006. Commerce Department contact: Charles Cummings, Office of Special Industrial Machinery, Room 2126, U.S. Department of Commerce, Washington, D.C. 20230; tel. (202) 377-5361.

5th Latin American Petroleum Show. Maracaibo, Venezuela. June 10-12, 1986. The Latin American Petroleum Show was created in 1978 to provide a focal point for the Latin American petroleum industry. It is held every two years in variable Latin American venues according to market demands. At the event, manufacturers, suppliers, services organizations, and personnel can meet to display, evaluate and discuss the new developments in the industry. All aspects of offshore technology relating to exploration will be displayed, including: production, refining, petrochemical, and natural gas equipment; geophysical and seismic services. The exhibition is usually accompanied by either a conference, seminar or technical presentations. Show organizer contact: Robert D. Reutlinger, U.S. Sales Manager, Spearhead Exhibitions, 13027 Skymeadow, Houston, Tex. 77082; telephone (713) 496-7497. Commerce Department contact: Charles Cummings, Office of Special Industrial Machinery, Room 2126, Washington, D.C. 20230; telephone (202) 377-5361.

PHOTOKINA 86—19th International World Fair of the Image. Cologne, West Germany. Sept. 3-9, 1986. PHOTOKINA will feature consumer photographic products, movie and video equipment and materials, photofinishing equipment and materials, photostudio equipment, professional film and video technology, broadcast systems, and audiovisual communications equipment. PHOTOKINA in 1984 had 1,250 exhibitors from 37 countries, including 163 from the United States. Show sponsors are the Association of the German Photographic Industry and other major German associations for manufacturers, distributors, users and services. U.S. groups supporting PHOTOKINA are the National Association of Photographic Manufacturers, Photo Marketing Association, International Communications Industries Association, and Photo Manufacturers and Distributors Association. Show organizer contact: Hans J. Teetz, Cologne International Trade Fairs, Inc., 666 Fifth Ave., New York, N.Y. 10103; tel. (212) 974-8836. U.S. Department of Commerce contact: Ed Kimmel, Office of Consumer Goods, Room 4038, Washington, D.C. 20230, tel. (202) 377-3640.

Automechanika '86. Frankfurt, West Germany. Sept. 9-14, 1986. Automechanika has the reputation of being the world's largest international trade fair for automotive parts, tools and test equipment. Held biennially, it attracted 1,700 exhibitors from 30 countries and 125,000 visitors from 97 countries in 1984. APEC membership is composed of manufacturers and others in the automotive products industry. The U.S. Pavilion at Automechanika '86 will be a joint effort between the International Automotive Joint Operating Committee (IAJOC) and the Automotive Products Export Council (APEC). IAJOC and APEC membership is composed of manufacturers and others in the automotive products industry. The members have joined together to increase their effectiveness in the world marketplace. Show organizer contact: Robert W. McMinn, Automotive Parts and Accessories Association, 5100 Forbes Boulevard, Lanham, Md. 20706; telephone (301) 459-9110, or Hub Erickson, International Automotive Joint Operating Committee, 7237 Lake St., River Forest, Ill. 60305; telephone (312) 366-1733. Commerce Department contact: Robert Reck, Office of Automotive Industry Affairs, Room 1003, U.S. Department of Commerce, Washington, D.C. 20230; telephone (202) 377-2833.

ISIR-ROBOTEX. Brussels. Sept. 29-Oct. 2, 1986. The 1986 International ISIR-ROBOTEX will display all the latest in advanced robot systems developed around the world in industry and research centers. Interest sectors for the exhibition include: industrial robots, programmable manipulators, pick-and-place units, and special application robots. Show organizer contact: Didier Heiremans, Brussels International Trade Fair, 1133 15th St., NW., Suite 1000, Washington, D.C. 20005; telephone (202) 659-3447. Commerce Department contact: Frank Manzolillo, Office of General Industrial Machinery, Room 2128, Washington, D.C. 20230; telephone (202) 377-2991.

INTERKAMA 86—10th International Exhibition for Instrumentation and Automation. Dusseldorf, West Germany. Oct. 6-11, 1986. INTERKAMA is the world's largest trade fair for the instrumentation, control and automation industry. It is a triennial event that was certified in 1983. The show offers U.S. companies an unequalled opportunity to gain exposure in the foreign marketplace. At INTERKAMA 83, there were 1,200 exhibitors from 27 countries and 96,000 trade visitors from 47 countries. Show organizer contact: Dirk Meumann, Dusseldorf Trade Shows, Inc., 500 Fifth Ave., New York, N.Y. 10110; telephone (212) 840-7744. Commerce Department contact: Jeff Gwaltney, Office of Microelectronics and Instrumentation, Room 1108, Washington, D.C. 20230; telephone (202) 377-3090.

ORGATECHNIK—Office Technology Show. Cologne, West Germany. Oct. 16-21, 1986. The 6th International Office Trade Fair, ORGATECHNIK, is held biennially. The 1984 fair had 1,500 participating companies from 25 countries. Over 140,000 trade visitors attended, including 19,000 non-Germans, representing 60 countries. The show is the world's largest for office and business furnishings, computers, and office automation equipment. In support of the show organizer's assistance to U.S. manufacturers seeking greater market exposure overseas, the U.S. and Foreign Commercial Service will conduct an in-country market promotion campaign to reach key industry buyers. West Germany is the largest computer market in Western Europe, with sales of $10 billion expected in 1987. Show organizer contact: Hans J. Teetz, Cologne International Trade Fairs, Inc., 666 Fifth Ave., New York, N.Y. 10103; telephone (212) 974-8836. Commerce Department contact: Judy Fogg, Office of Computers and Business Equipment, Room 1104, Washington, D.C. 20230; telephone (202) 377-4936.

Expo-Comm 86 China. Beijing, People's Republic of China. Oct. 16-22, 1986. The purchase of telecommunications equipment and computers is expected to be a top priority in China during 1986 and 1987. Expo-Comm, the International Telecommunications and Computer Exhibition and Conference, will be a major opportunity for U.S. manufacturers to meet qualified Chinese customers for a wide range of high technology products, a few of which are: business communications equipment; computers, peripherals and software; facsimile; fiber optics; micrographics; printing equipment; radio and satellite communications equipment; and telegraph and telephone equipment. The Chinese government will make an extensive effort to have key decision makers from throughout China attend the exhibition. Show organizer contact: Ronald E. Akins, Director, International Marketing, E.J. Krause and Associates 7315 Wisconsin Ave., Suite 303E, P.O. Box 70356, Washington, D.C. 20088; telephone (301) 986-7800. Commerce Department contact: Theresa Rettig, Office of Telecommunications, Room 1108, U.S. Department of Commerce, Washington, D.C. 20230; telephone (202) 377-2952.

EXPO HITECH. Shanghai, China. Oct. 30-Nov. 6, 1986. EXPO HITECH will feature four categories of products Shanghai is seeking as it intensifies its drive to become East Asia's leading high-technology market: fiber optics, lasers, advanced manufacturing systems and microelectronics production equipment. The exhibition is widely supported by Chinese government and business leaders and should provide good sales opportunities for U.S. exhibitors. Show organizer contact: William R. Burris, Manager, International Marketing, E.J. Krause and Associates, 7315 Wisconsin Ave., Suite 303E, P.O. Box 70356, Washington, D.C. 20088; tel. (301) 986-7800. U.S. Department of Commerce contact: Joseph Burke, Office of Microelectronics and Instrumentation, Rm. 4412, Washington, D.C. 20230; telephone (202) 377-5014.

K 86—International Exhibition for Plastics and Rubber. Dusseldorf, West Germany. Nov. 6-13, 1986. K 86 is the world's largest trade fair for the plastics and rubber industry. It is a triennial event featuring machinery, products and raw materials. K 83 drew 1,600 exhibitors and 184,000 visitors representing 37 countries. New-to-market companies especially should find the event an effective way to gain market exposure abroad. Show organizer contact: Dirk Meumann, Dusseldorf Trade Shows, Inc., 500 Fifth Ave., New York, N.Y. 10110; telephone (212) 840-7744. U.S. Department of Commerce contact: Eugene Shaw, Office of Special Industrial Machinery, Room 2100, Washington, D.C. 20230; telephone (202) 377-3494.

Investment, Licensing in the U.S.

The following overseas companies are interested in direct investment in the United States or in having their patented products made in the United States under joint venture and licensing arrangements. Officials of American companies can contact the overseas companies for additional information, discussions, and/or negotiations. For additional information, contact Invest in USA Program, tel. (202) 377-2087.

Investment

Injection Molding Equipment. Branch of important Mannesmann Demag AG, established in 1840, wants to establish manufacturing facilities in the east, west, or northern part of the United States. Initial labor force will be 50 to 70, and will expand to over 200 in few years. Contact: Walter Tesche, Mannesmann Demag Kunststofftechnik, Altdorfer Strasse 15, D-8501 Schwaig, W. Germany; tel. 0911/5971826; telex 622 664. (F-698) SIC 3559.

Hazard Warning Lights/Lenses. Company leader in this product wants to invest in the U.S. for its production. Contact: A. J. Miller, Sales & Marketing Manager, Glasdon Limited, Preston New Rd., Blackpool FY4 4UR, Lancashire, United Kingdom; tel. (0253) 694717; telex 677288. (F-699) SIC 3648.

Joint Venture

Mattresses. Firm specializing in production and sale of trademarked mattresses made of special foam rubber, permanently elastic, available in three different qualities (depending on weight of person), and with an extension-support system for spinal disease, backaches, etc. Company also offers trademarked mats similar to the mattresses, but thinner and smaller, and special cushions for back support. Contact: Kurt Kienlein, Ther-O-Pedic, Ludwigstrasse 10, D-8505 Roethenbach, W. Germany; tel. 0911/576686. (F-700) SIC 2515.

Pipe Joining Systems. Company offers a new, patented pipe joining system that couples pipes from 1-½ to 78 inches diameter. It is seeking a U.S. licensee or joint-venture partner with a well-developed program in piping components like valves and pumps, and with good, extensive business relations. The system does away with costly treatment of pipe ends such as threading, welding. Contact: A. J. Papp, Manager, Straub Kupplungen AG, Straubstrasse, CH-7323 Wangs, Switzerland; tel. 085 2 01 91; telex 85 55 45 STRW CH. (F-701) SIC 3498.

Ink Jetters. Firm specializing in manufacture and sale of ink jetters for applying codes and addresses on metal tubes, homogenous and non-homogenous surfaces, wants to find U.S. joint venture partner or license production to U.S. licensee. The company claims the equipment is high-speed, low-cost. It is sold in German and French-speaking countries. Contact: Konrad Beer, K.F. Beer GmbH, Prethalstrasse 29, D-5374 Hollerath, W. Germany, tel. 02482 7107. (F-702) SIC 3563.

Vibration Measuring Instrument. Company that has designed and developed a highly-stylized, portable and computer-readable digital instrument for use in vibrometrical surveys is seeking collaboration with U.S. firms. The instrument measures vibrations and stores data on a magnetic tape (compact cassette), then prints it on a paper with a built-in plotter. The instrument can be used in the petroleum extraction, construction, and infrastructure development industries. Contact: American Consulate, Trieste, APO NY 09293, for address of Sismoter, S.N.C. (F-703) SIC 3674.

Aircraft. French aeronautical engineer, who has developed a new type aircraft along the lines of a helicopter, is seeking U.S. joint venture partner or licensee for manufacture in the United States. The inventor claims the craft costs much less than a helicopter, and is self stabilizing for safety. The inventor claims ease of piloting and ease of maintenance. Contact: Mr. Rabouyt, 90 Ter rue Pierre Brossolette, 92140 Clamart, France; tel. 011/33/1/47 36 31 55. (F-704) SIC 3721.

Cardiac Surgery Disposables. Company wants to arrange a joint venture in the United States and cross-licensing for production of medical products used in heart operations. Contact: Lars Sunnanvaeder, Business Manager, Jostra Medizintechnik GmbH Co. KG, Ernelesstr. 37, D-7450, Hechingn, W. Germany, tel. 011-49-7471-4041; telex 767 358. (F-705) SIC 3841.

Licensing

Running Gear. Company is interested in cross licensing for clothing used for jogging/running. Contact: M. Deegan, Managing Director, Ron Hill Sports Ltd., 8-14 Church St., Hyde, Cheshire, United Kingdom; tel. (061) 368-6894; telex 669755. (F-706) SIC 2254.

Metal Shelving. Company is seeking joint venture agreement or arrangements for an exchange of production licenses for shelving used in stores and other establishments. Contact: Ulrich Bonnacker, Tegometall, Rudolf Bohnacker, Austr. 36, POB 334, D-7482 Krauchenwies, W. Germany; tel. 011-49-7576-777-0; telex 732583. (F-707) SIC 2542.

Hardware for Windows and Doors. Company seeks U.S. licensee for U.S. production of its shutter hardware system. The system provides for electrical and/or mechanical remote control of up to six exterior folding window shutter panels. Canadian firm wishes to distribute when system manufactured. Contact: C.E. Buhr, P.O. Box 97, Wycliffe, B.C. VGB 2MO, Canada; tel. 604-427-3976. (F-708) SIC 3429.

Spectacles, Floor Mats, Automobile Gyro Starters. Active inventor offers three products for licensed production in the United States: 1. Patented spectacles with magnetic inserts, ideal for sports and sun glasses and can be attached to metal objects anywhere inside the house, at work, in the car, etc., 2. Patented floor mat, double-faced for water and dirt protection. This is a double-layer mat, with the lower mat non-skid and waterproof, and the upper mat porous. It allows for easy cleaning. 3. Automobile gyro starter for which patent is pending. Contact: Mrs. Marlise Schumacher, Lindenstr. 84, D-7590 Achern 15, W. Germany; tel. 011-49-7841-5378. (F-709)

Software Protection Devices. Swiss manufacturer seeks licensee for production and distribution of microprocessor software protection devices in the United States. It has developed a family of protective microprocessors of the 8-bit types Z80 and 8085 in hybrid circuits, including program encoders, and is working on a 16-bit family. Contact: Peter U. Fischer, Director, SPL Software Protect Ltd., Geissacher 6, CH-8126 Zumikon, Switzerland; tel. 01/918 15 00; telex 82 57 82. (F-710) SIC 3679.

Data Recorder. Energy control company wants to license U.S. firms for production of envirolog data recorder (portable), and energy management systems. Contact: Nick Siragher, Sales Product Manager, Potterton Energy Controls Ltd., Science Park, Milton Road, Cambridge CB4 4FS, United Kingdom; tel. (0223) 315432. (F-711) SIC 3823.

Measuring Instruments. Company is seeking U.S. licensee for U.S. production of its underwater strain measurement system, tension signal cable, structural integrity monitoring system, and data analysis software packages. Contact: Dr. R. G. Monk, Managing Director, The AVT Group, AVTECH House, Stockport, Cheshire SK3 0XU, United Kingdom; tel. (06) 491-2222; telex 669028. (F-712) SIC 3829.

Trade and Investment Opportunities

THAILAND—The Petroleum Authority of Thailand (PTT) and Thai Shell Exploration & Production have agreed on a joint venture to set up a mini gas separation plant in Kampaeng Phet Province (north of Bangkok). PTT will hold 25 percent equity while the remaining 75 percent will be owned by Thai Shell. The plant is expected to produce 35,000 tons of liquid petroleum gas per year for domestic markets in the northern part of Thailand. Investment in this project is estimated to be approximately US$12 million. The project will still require final approval from the National Economic & Social Development Board and the Ministry of Finance. Interested U.S. firms may obtain additional information from: Pratin Patanaporn, Deputy Governor, Petroleum Authority of Thailand, Soi Yasoob 1, Vibhavadi Rangsit Road, Bangkok 10900; tel. 279-2095, telex: 84487 PTT TH.

COLOMBIA—The government's Electric Power Institute (ICEL) invites foreign firms and their local representatives to register and/or update their registration, prequalification and classification as suppliers and civil engineering constructors to participate in upcoming international tenders for the construction of small hydroelectric plants. Interested firms may obtain registration documents from the following address: Division de Licitaciones y Contratos, ICEL, Carrera 13 No. 27-UO, Oficina 309, Bogota, Colombia.

THAILAND—The Department of Mineral Resources is inviting interested parties to submit applications, on or before March 24, 1986, for rights to potash exploration and production. Full text of the new announcement follows: "The Ministry of Industry invites applications for potash exploration and production rights in Bamnet Narong District, Chaiyaphum Province, and Wanon Niwat District, Sakon Nakhon Province, covering areas appearing in Annex I of this announcement designated by the Minister of Industry as areas for the prospecting, testing, study or research on minerals. The detailed results of exploratory drilling undertaken by the Department of Mineral Resources within the area are attached in Annex II. Applications must be submitted during office hours within 90 days of the date of this announcement, addressed to the Economic and Information Division, Department of Mineral Resources, Rama VI Road, Bangkok 10400. The application, in a sealed letter, must be enclosed together with the respective applicant's qualifications and proven experience in exploration and production of potash or similar minerals. Proposed annual work plans and expenditures are to be included, together with proposed offers of obligations, rights and financial returns and other special advantages to the Royal Thai government in exchange for the grant of rights for potash exploration and production. Provision must be made for Thai participation in the proposed venture, and the training and scholarship schemes, etc., for Thai nationals."

VENEZUELA—According to a press report, the French organization SOFRETU (French Society for Studies of Urban Transport) has signed an agreement with the Venezuelan Ministry of Transport and Communications for the feasibility and engineering study of a light rail transport system from Caracas to the seacoast: The cost of this study is bolivars 10 million but the French government is providing this service free of charge. The project has been under study for many years and there have been a number of proposals, one of which was made by a Venezuelan group together with Westinghouse. No action was ever taken, however, because of engineering and geographic/geological difficulties and lack of financing. According to a recent statement by the Minister of Transport and Communications, the government is considering offering the project on a concessionary basis. In this case, the construction would have to be done by local companies with a foreign partner providing engineering, equipment and operations supervision. Since the original idea for the system contemplated a tie-in with the Caracas subway which has strong French participation, this interconnection, plus France's interest in an even greater presence in Venezuela's transportation system, could explain the cost-free study to be provided.

SYRIA—The Ministry of Education, Shahbandar St., Damascus, Syria, has announced a call for offers for the supply of the following materials for Educational Materials Development and Production Center: photographics; reprographics; audio-visual; video studio camera equipment; video studio equipment; lighting equipment for video studio; development, evaluation, laboratory and test apparatus; carpentry and joinery shop; electrical workshop; glass shop; machine tool workshop; plastic shop; paint shop; welding fabricating shop; general equipment. Project financed by loan from IBRD. Deadline is March 20, 1986. Bid bond 5 percent offer value, performance bond 10 percent contract value. Delivery period is 150 days beginning from notification of L/C. Offer valid for 150 days from the date of deadline. Book of conditions obtainable from the Ministry against 100 Syrian pounds (one US$ equals 3.90 S. P.).

MALAYSIA—Peremba Berhad, which is one of the largest civil engineering and building contractors in Malaysia, is interested in associating with American contractors to bid for multi-million-dollar civil works such as construction of highways, low-cost housing projects, etc.—those projects that the Malaysian government intends to privatize. Peremba Berhad is only interested in associating with those contractors that can arrange foreign financing for the projects. Interested parties contact: Anwar Batcha, Manager, Management Services, Peremba Berhad, 11th Floor, Bangunan Peremba, 424 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia; tel. 03-2425688, telex: PEREMBA MA 30290.

TAIWAN—On Jan. 23 the Executive Yuan Council for Economic Planning and Development (CEPD) approved the construction of Chinese Petroleum Corporation's (CPC) fifth naphtha cracking plant. The budget for the naphtha cracker was cut from US$400 million to US$382.5 million. Three U.S. engineering firms are in the running for the contract. Invitations to bid will be sent out in June.

SAUDI ARABIA—The Saudi Valves Manufacturers is a single proprietorship owned by Yusuf Ahmed Bukhari, who also owns Bukhari Trading Establishment. The factory was established in mid-1984, and production started in July 1985. Firm primarily acts as importer, distributor, retailer and agent for building materials such as valves, paint, hoses, pipes and fittings. Bukhari is interested in doing business with a well-known U.S. valve manufacturer in an industrial joint-venture project or by licensing agreement. He is looking for technical support and know-how for the manufacture of products that meet international or U.S. standard requirements. Interested U.S. manufacturers write to Mahmoud Sayed (Director Sales & Marketing), Saudi Valves Manufacturers, P.O. Box 1542, Dammam 31441, Saudi Arabia; tel. (03) 834-8947 or 832-7454, telex: 601504 BUTRES SJ.

BANGLADESH—Bangladesh Chemical Industries Corporation, BCIC Bhaban, 30-31 Dilkusha Commercial Area, Dhaka-2 (telex: 65847 BCI BJ, Attn: Director, P&L), a public sector corporation, has invited an international tender for the design, supply and construction on a lump sum turnkey basis of an ammonia urea fertilizer complex with an annual capacity of about 500,000 MT or urea. The processing unit should have a daily production capacity of 1,000 MT ammonia, 1,700 MT urea and 1,700 MT urea granule. The bidder will be required to arrange the entire funding for the project excluding duties and taxes leviable in Bangladesh. A location for the complex has not been selected, but embassy contacts suggest it will be the area of Tangail or Jamalpur in north-central Bangladesh. Plant facilities should have raw water supply and pre-treatment system, boiler feedwater treatment and condensate recovery system, cooling water system, steam generation and distribution system, natural gas pipeline and distribution system, inert gas system, instrument/plant air system, electric power generation supply and distribution system, communications, site development, roads and fencing, ammonia storage and loading system, sewers, waste water treatment system, and a jetty for unloading imported equipment during plant construction and for dispatch of products. (The latter requirement suggests that the plant will be located on the river.) Tender documents containing terms, conditions and specifications are available for US$500 (not refundable) from the tender issuing authority. Bid deadline is March 31.

ALGERIA—The Algerian Ministry of Culture and Tourism invites foreign chains of hotels, promoters and tourism investors to participate in the improvement of Algerian coastal sites. Program will include: 2-3 star hotels; holiday camps, villas and bungalows to rent; luxury (high standard) campsites. Installations will be located at Skikda, Jijel (Algerian east coast), and Tlemcen (west). Interested U.S. firms can contact directly: Direction de l'Amenagement Touristique et du Thermalisme Ministere de la Culture et du Tourisme, Palais de la Culture, Algiers, Algeria; phone: 589110, telex: 52555.

ISRAEL—During a recent visit to the DSW plant in Sdom, Arie Shachar, Managing Director, told Commercial Counselor that his company is planning a five-year expansion program with total investment of about US$345 million. Although DSW is presently not seeking collaboration with any U.S. engineering or manufacturing firm, it is believed that a large amount of U.S. equipment and services will be required during the implementation of this project. DSW, a subsidiary of Israel Chemicals Limited (a government-owned company tasked with the exploitation and development of Israel's mineral resources), will invest some US$135 million for increasing potash production by 500,000 tons a year and another US$80 million to establish a new plant within the present infrastructure, to produce downstream potash and other allied products. The balance will probably go to raising the solar pond/dams. A good part of the development fund will come from DSW's high profits resulting from increased production and sales of its potash, salt, bromine and bromine derivatives during the past years. It is reported that in 1985 about 1.9 million tons of potash were produced, of which 1.3 million tons were exported. Production should pass the two million-ton mark this year. This is despite the falling prices of potash in North America. Canada has recently opened two new plants and existing plants are increasing their production. However, prices are still high in Europe. The United States remains the largest single customer, buying half a million tons in 1985. However, in 1986 the United States bought only an estimated 400,000 tons because of the financial difficulties faced by U.S. farmers. DSW's market in the United States is primarily limited to the East and Gulf Coasts. Construction work on the conveyor belt connecting the Dead Sea to Nahal Zin Rail headline some 16 kilometers away and 800 meters above the Dead Sea is going ahead at a rapid pace. The conveyor belt is expected to save DSW considerable money, as it will allow it to do away with expensive haulage by trucks, which grind slowly up the winding road from the Dead Sea (the lowest place on earth) to the desert plateau above. U.S. firms failed to win the contract due to high price; the contract was awarded to a British and a South African firm. The project, scheduled to be completed within a year, will cost about US$36 million. DSW's officials indicated that an international tender will be issued for the foreign cost of equipment and services required for the five-year expansion project. While this project is still in early planning stage, post suggests that interested U.S. suppliers of potash production equipment contact DSW at the following address: Dead Sea Works Ltd., Potash House, Beer-Sheva 84100, telex 5236, Attn. Arie Shachar, Managing Director.

QATAR—Fawzi Al-Saad, General Manager of the Doha-based Saleh H. Al-Mana Est., called on the U.S. Embassy Commercial Section and requested assistance in contacting U.S. firms specialized in paper products. Al-Mana desires to establish a private paper plant in the industrial area in Doha suburbs to produce the following paper product categories: facial tissues, toilet rolls, kitchen towels, writing pads. While project feasibility study is being conducted by Al-Mana Est., Al-Saad stated that all Arab states of the Gulf are being considered for marketing the paper products. Initially, the Al-Mana Est. anticipates the plant capability at 10,000 tons per day. Apart from a small paper shopping bags factory, Qatar does not have any paper industries. No financing is required. Al-Mana Est., which is, among other things, local agency for Japanese Datsun vehicles, enjoys a strong financial position. Al-Mana prefers to deal with U.S. firms capable of providing the necessary equipment plus installation and commissioning. U.S. firms interested in following up on this project contact: Fawzi Al-Saad, General Manager, Saleh H. Al-Mana Est., P.O. Box 91, Doha, Qatar, Arabian Gulf; phone: 441335, telex: 4284 NISSAN DH. Brochures and price lists welcomed. Language of correspondence English or Arabic.

KUWAIT—Mobile telephone systems company published a notice in the local paper inviting specialized firms in paging and voice retrieval systems to participate in a tender for supply, installation, and maintenance of paging and voice retrieval systems on a turnkey basis to cover the entire state of Kuwait. Deadline for prequalification application submission is April 2, 1986 against non-refundable fee of 100 KD (1KD equals approximately US$3.30) for the prequalification documents. Documents can be obtained from Mobile Telephone Systems Company, P.O. Box 22244 Safat, Kuwait; tel: 2467200, telex: 30444 HATIF KT. Attn. Abdulrahman Al-Houli.

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MONDAY, MARCH 3, 1986.

UNITED NATIONS FUNDING

WITNESS

MICHAEL I. ROTHFELD, EDITOR, DEFENSE WATCH NEWSLETTER, UNITED STATES DEFENSE COMMITTEE

Mr. ROTHFELD. Mr. Chairman, I will read a condensed version of my testimony. I am Michael Rothfeld, Editor of Defense Watch Newsletter of the U.S. Defense Committee. The United States Defense Committee is an organization of over 134,000 Americans from all walks of life bound together by a commitment to preserve and defend our national security. As an organization, the United States Defense Committee believes that American taxpayer money should be spent to further, and certainly not hinder, the U.S. national interest.

Unfortunately, we find in the case of the money contributed by the United States to the United Nations this standard is not met. We are convinced that the American people are tired of paying one-quarter of the U.N. budget, over $1.3 billion in 1984, only to be the target of anti-American abuse.

The growing anger of the American people is exacerbated by the fact that the Soviet Union paid only $156 million to the U.N. in 1984 and is well over $100 million in arrears. Meanwhile the Soviet Union has three votes in the U.N. General Assembly, while the United States has only one vote.

I am here today to urge this committee to carefully examine the activities of the United Nations and move to make major cuts in U.S. funding of the United Nations. Too many times in the past American good will and taxpayers' money has been used to humilate the U.S. and to work against the national interest.

Barely one week after the U.S. liberation of Grenada, the U.N. voted 108-9 to "deeply deplore" the U.S. action. In fact, the U.S. was not even permitted to make a statement before the vote. However, after six years the U.N. has yet the condemn the Soviet Union by name for its brutal invasion and occupation of Afghanistan.

U.N. money—one quarter of which comes from American taxpayers--is given yearly to Communists, Soviet client states such as North Korea, Nicaragua, Cuba and Vietnam and terrorist organizations like SWAPO, the ANC, and the PLO. Over the years 1981 to 1984, one U.N. agency sent over $13 million to North Korea, $7 million to Nicaragua and $17 million to Laos.

During the same period, this agency sent $2.4 million to SWAPO, $2.9 million to the ANC and nearly $10 million to Cuba; thereby directly aiding the Soviet plan to gain control of all Southern Africa and threaten the NATO allies with economic strangulation. In one year alone, more than $7 million was sent to the corrupt regime in Afghanistan, and regime put and kept in place by over 100,000 Soviet troops.

In December 1984, over U.S. objections, the U.N. General Assembly approved $73.5 million for the renovation of a U.N. conference center in Ethiopia, even as millions of Ethiopians were starving.

The most outrageous use of U.N. funds is probably the money used to support the PLO.

The United Nations Relief Works Agency (UNRWA) budgets over $200 million each year for Palestinian "refugee camps."

Former U.S. Ambassador to the United Nations Jeane Kirkpatrick, in testimony before the Senate Committee on Governmental Affairs, stated that funds spent by the U.N. Relief Works Agency and the Committee on Palestinian Rights are just as available to Yasser Arafat as if they were simply transferred by bank draft. Even generally respected agencies are not free from radical taint. The Executive Board of UNICEF is dominated by a radical majority. UNICEF's bias is evident in its lopsided expenditures in Africa and Communists Indochina compared with Central and South America.

This is not surprising when one consideres that the Socialist dictatorships and Communists regimes of Africa and Southeast Asia are naturally more in accord with the Radical views of UNMICEF's majority than are the generally pro-western governments in Central and South America.

The refugee camps run by the Untied Nations High Commission on Refugees in Honduras along the border with El Salvador are reported to have become little more than "safe areas" for Salvadoran guerrillas seeking a respite from military action.

Not only is American taxpayer money going directly and indirectly to U.S. enemies abroad, but it is supporting spies in the United States—spies that are protected by diplomatic immunity. The Soviet Union has more than 300 U.N. "diplomats" for the Soviets, at least one-third of the 650 Soviets at the U.N. work directly for Soviet espionage agencies.

The Soviet spies especially target U.S. businesses and researchers that operate at the cutting edge of high technology. By stealing this technology the Soviets have managed in the past, and hope in the future, to upgrade their massive military arsenal thereby forcing the U.S. and its allies to pump billions of dollars more into their own defense programs

Unbelievably, U.S. taxpayers' dollars actually go to the Soviet Union. Soviets working for the U.N. Civil Service are required to turn over their U.N. pay, which can be as much as $90,000 per year higher than Soviet pay, to the Soviet Union. This practice nets the Soviet government about $20 million per year. The American taxpayer is therefore effectively giving the Soviet Union $5 million per year while employing Soviet spies to boot. There seems to be no end to the abuses perpetrated by the radicals at the U.N. on the United States and its allies. For example:

The periodic condemnation of Israel and other pro-American governments;

The Soviet-administered U.N. External Relations Division which, through its Department of Public Information, has never referred to the Soviet destruction of KAL 007;

Drafting a treaty declaring the moon international property and creating a U.N. agency, the Outer Space Committee, to administer the "territory."

Probably only the threat that the U.S. would boycott the U.N. commemorative session last fall prevented Yasser Arafat from being invited to address the General Assembly. This invitation would have been issued barely one week after PLO terrorists murdered Leon Klinghoffer aboard the Achille Lauro.

The American people are sick and tired of sending over one billion dollars to the U.N. only to be treated as a whipping boy in return.

Only under the threat, in fact, of serious cuts in U.S. funding can the radicals at the United Nations be made to understand that their anti-American bias will no longer be tolerated nor funded by American taxpayers.

As long as the Soviet Union retains three votes in the U.N. General Assembly, I urge this committee, in the strongest possible terms, to authorize the U.S. to pay no more than one-third the amount of Soviet-assessed contributions.

At the very least, U.S. contributions of taxpayers' money should not exceed assessed Soviet contributions.

[The statement of Mr. Rothfeld follows:]

UNITED STATES
DEFENSE COMMITTEE

Henry L. Walther
President

Statement By

Michael I. Rothfeld
Editor, Defense Watch
United States Defense Committee

At A Hearing
before the
HOUSE APPROPRIATIONS SUBCOMMITTEE ON
COMMERCE, JUSTICE, STATE, AND THE JUDICIARY

March 3, 1986

3238 Wynford Drive, Fairfax, Virginia 22031

Mr. Chairman:

My name is Michael I. Rothfeld and I am Editor of Defense Watch, the newsletter of the United States Defense Committee.

The United States Defense Committee is a public interest organization dedicated to a strong national defense and foreign policy.

We are an organization of over 134,000 Americans from all walks of life; machinists, farmers, small entrepreneurs, doctors, lawyers, active and retired service personnel.

What binds all these people together is a commitment to preserve and defend our national security.

As an organization, the United States Defense Committee believes that American taxpayer money should be spent to further, and certainly not hinder, the U.S. national interest.

This is as true for money spent on domestic agencies as it is for bilateral aid and contributions to multilateral organizations.

Unfortunately we find in the case of the money contributed by the United States to the United Nations this standard is not met.

While the United Nations was founded upon the highest hopes of the post-war era, it has deteriorated to a place where U.S. actions and allies are denounced, our enemies funded and our shores legally infiltrated by hundreds of Soviet-bloc spies.

We are convinced that the American people are tired of paying one-quarter of the U.N. budget, over $1.3 billion in 1984, only to be the target of anti-American abuse.

The growing anger of the American people is exacerbated by the fact that the Soviet Union paid only $156 million to the U.N. in 1984 and is well over $100 million in arrears.

Meanwhile the Soviet Union has three votes in the U.N. General Assembly, (one for Byelorussia, one for the Ukraine and one for the Soviet Union proper) while the United States has only one vote.

I am here today to urge this Committee to carefully examine the activities of the United Nations and move to make major cuts in U.S. funding of the United Nations.

I am convinced that in careful examination of the record you will agree that only by making major cuts in U.S. funding will it be possible to effect meaningful reform in the U.N.

Only by making cuts in U.S. funding can the anti-American radicals be put on notice that their actions will no longer be tolerated.

Too many times in the past has American goodwill and taxpayers' money been used to humiliate the U.S. and to work against the national interest.

Barely one week after the U.S. liberation of Grenada, the U.N. voted 108-9 to "deeply deplore" the U.S. action.

In fact, the U.S. was not even permitted to make a statement before the vote.

However, after six years the U.N. has yet to condemn the Soviet Union by name for its brutal invasion and occupation of Afghanistan.

The Soviet Union's three votes, coupled with those of the Communist East-bloc and Third World dictatorships, form a majority in the U.N., allowing the anti-American line to pass nearly every time.

In addition, this majority votes to give U.N. money -- one-quarter of which comes from American taxpayers -- to Communist, Soviet client states such as North Korea, Nicaragua, Cuba and Vietnam and terrorist organizations like SWAPO, ANC, and the PLO.

Over the years 1981 to 1984, one U.N. agency sent over $13 million to North Korea, $7 million to Nicaragua and $17 million to Laos.

During the same period, this agency sent $2.4 million to SWAPO, $2.9 million to ANC and nearly $10 million to Cuba; thereby directly aiding the Soviet plan to gain control of all Southern Africa and threaten the NATO allies with economic strangulation.

In one year alone, more than $7 million was sent to the corrupt regime in Afghanistan, a regime put and kept in place by over 100,000 Soviet troops.

In December 1984, over U.S. objections, the U.N. General Assembly approved $73.5 million for the renovation of a U.N. conference center in Ethiopia, even as millions of Ethiopians were starving.

Millions and millions more have been spent in Soviet-occupied Eastern Europe on things like a motorway connecting the Soviet-bloc nations, the strengthening of iron and steel industries, and the development of nuclear technology.

The most outrageous use of U.N. funds is probably the money used to support the PLO.

The United Nations Relief Works Agency (UNRWA) budgets over $200 million each year for Palestinian "refugee camps".

According to Edward Ghorra, former Lebanese Ambassador to the U.N., the PLO has transformed most, if not all, the refugee camps into military centers for the training of mercenaries sent and financed by other Arab states.

Former U.S. Ambassador to the United Nations Jeanne Kirkpatrick, in testimony before the Senate Committee on Governmental Affairs, stated that funds spent by the UNRWA and the Committee on Palestinian Rights are just as available to Yasser Arafat as if they were simply transferred by bank draft.

Moreover, since the PLO has "official observer" status at the U.N., its representatives sit in on, even chair, discussions on international security.

As an observer at the International Civil Aviation Organization, a U.N. affiliate, the PLO is privy to decisions on air travel security -- security against the very hijackings the PLO routinely carries out.

Also, the U.N. has actively sought to undermine the economic structures of the West.

Radical U.N. agencies, like the United Nations Conference on Trade and Development (UNCTAD) and United Nations Educational and Scientific Organization (UNESCO), have actively worked for the creation of the New International Economic Order (NIEO) adopted in 1974.

The NIEO calls for the wholesale redistribution of wealth from the developed Western countries to the Third World.

Blaming Third World poverty on "colonialism" and "economic imperialism", NIEO promotes state controlled economies generously funded with Western taxpayers' money.

The ill-conceived Law of the Sea Treaty was a similar attempt to forcibly redistribute wealth to the Third World. This treaty, endorsed by 130 U.N. members in April 1982, would have created a "World Council" to govern seabed mining.

This "World Council" would have effectively taxed Western countries for use of international waters in order to finance so-called Third World purchase of technology.

Even generally respected agencies are not free from radical taint.

The Executive Board of United Nations International Children's Emergency Funds (UNICEF) is dominated by a majority which, according to a Heritage Foundation study, "favors the ideology of the so-called New International Economic Order and opposes (the) free market."

UNICEF's bias is evident in their lopsided expenditures in Africa and Communist Indochina compared with Central and South America.

This is not surprising when one considers that the majority of UNICEF aid is given not to children but directly to governments.

The Socialist dictatorships and Communist regimes of Africa and Southeast Asia are naturally more in accord with the radical views of UNICEF's majority than are the generally pro-Western governments in Central and South America.

The refugee camps run by the United Nations High Commission on Refugees (UNHCR) in Honduras along the border with El Salvador are reported to have become little more than "safe areas" for Salvadoran guerrillas seeking a respite from military action.

Not only is American taxpayer money going directly and indirectly to U.S. enemies abroad, but it is supporting spies in the United States -- spies that are protected by diplomatic immunity.

The Soviet Union has more than 300 U.N. "diplomats" and nearly 350 U.N. Secretariat employees in New York City.

According to Arkady Shevchenko, a former high-ranking "diplomat" for the Soviets, at least one-third of the 650 Soviets at the U.N. work directly for Soviet espionage agencies.

The restrictions placed upon Soviet and other anti-American nationals at the U.N., even the restrictions recently enacted by the State Department under a mandate from Congress, are far from effective.

The rules require U.S. approval for travel beyond a 25 mile radius. However, this often amounts to little more than mere notification.

As former U.S. alternate to the U.N. Charles Lichenstein notes, it is not difficult to evade the travel restrictions: "you only have to march onto the Eastern (Airlines) shuttle, pay your 70 bucks....and who knows who you are?"

The Soviet spies especially target U.S. businesses and researchers that operate at the cutting edge of high-technology. By stealing this technology the Soviets have managed in the past, and hope in the future, to upgrade their massive military arsenal forcing the U.S. and its allies to pump billions of dollars more into their own defense programs.

Unbelievably, U.S. taxpayers' dollars actually go to the Soviet Union.

According to U.N. rules, U.N. Secretariat employees are international civil servants employed directly by and with the United Nations.

Soviet employees at the Secretariat, however, are assigned a Soviet civil service rating and are paid by the Soviet Union.

They are then required to turn over their U.N. pay, which can be as much as $90,000 per year higher than Soviet pay,to the Soviet Union. This practice nets the Soviet government about $20 million per year.

The American taxpayer is, therefore, effectively giving the Soviet Union $5 million per year while employing Soviet spies to boot!

There seems to be no end to the abuses perpetrated by the radicals at the U.N. on the United States and its allies. For example:

The periodic condemnation of Israel and other pro-American governments,

The Soviet administered U.N. External Relations Division which, through its Department of Public Information, has never referred to the Soviet destruction of KAL 007,

Drafting a treaty declaring the moon international property and creating a U.N. agency, the Outer Space Committee, to administer the "territory".

Even with a strong U.S. Ambassador at the U.N., like Jeanne Kirkpatrick, the U.S. has been unable to make a serious dent in these abuses.

A U.N. measure passed last November calling for a withdrawal of troops from Afghanistan still did not mention the Soviet Union.

Probably only the threat that the U.S. would boycott the U.N. commemorative session last fall prevented Yasser Arafat from being invited to address the General Assembly. This invitation would have been issued barely one week after PLO terrorists murdered Leon Klinghoffer aboard the Achille Lauro.

The American people are sick and tired of sending over one billion dollars to the U.N. only to be treated as a whipping boy in return.

Only under the threat, and fact, of serious cuts in U.S. funding can the radicals at the United Nations be made to understand that their anti-American bias will no longer be tolerated nor funded by American taxpayers.

As long as the Soviet Union retains three votes in the U.N. General Assembly, I urge this Committee, in the strongest possible terms, to authorize the U.S. to pay no more than one-third the amount of Soviet assessed contributions.

At the very least, U.S. contributions of taxpayers' money should not exceed assessed Soviet contributions.

Mr. **Smith**. Do you think there is any agency at the U.N. that ought to be supported?

Mr. **Rothfeld**. We are not advocating that we withdraw from the U.N. Certainly it serves foreign policy in a number of manners. The Health Organization, which predated the U.N., certainly does good work. We are more interested in forcing more adequate treatment of the United States in the U.N. rather than advocating withdrawal.

Mr. **Smith**. Mr. Early.

Mr. **Early**. No questions.

Mr. **Dwyer**. No questions.

Mr. **Smith**. Thank you very much.

Mr. **Rothfeld**. Thank you.

Monday, March 3, 1986.

EMBASSY SECURITY

WITNESSES

THOMAS VONIER, AIA, ON BEHALF OF THE AMERICAN INSTITUTE OF ARCHITECTS

ALBERT C. EISENBERG, DIRECTOR OF GOVERNMENT AFFAIRS, AMERICAN INSTITUTE OF ARCHITECTS

Mr. **Smith**. Mr. Vonier, go ahead. We will insert your entire statement in the record.

Mr. **Vonier**. Mr. Chairman, my name is Thomas Vonier, AIA. I am here today to present the views of the American Institute of Architects on the Architect response to international terrorism involving U.S. Government nonmilitary facilities overseas.

I am founder of Thomas Vonier Associates, an architectural firm here in Washington, and until recently I served as the project director sponsored by the National Academy of Sciences, supported by the State Department, on the embassy of the future. I would like our written testimony inserted in the record. With your permission, I will summarize four points, if I may.

First, I think we want to get across the point that excellent architecture and security are compatible. I think architects have special design skills and a central role to play in our response to embassy terrorism. Architects and other design professionals have to meet many competing and difficult to reconcile demands, and buildings both new and existing must be made more secure against a variety of threats including explosive vehicles, sabotage, sniper attack and electronic eavesdropping, to name but a few.

While these matters are of paramount concern, at the same time embassy buildings must be sensitive to their immediate surroundings and to the national context of the host countries in which they are found. I want to reiterate good architecture and good security design are not mutually exclusive.

Second, I want to lend AIA's support to the Inman panel recommendations and to the administration's funding requests. In response to the recent and frequent incidents of terrorists attacks on U.S. overseas diplomatic and related facilities, and the perceived vulnerability of these facilities, the Secretary of State did appoint, as you know, the Advisory Panel on Overseas Security. The AIA supports the general thrust of the Inman panel's report, which has highlighted the importance of improved security at various U.S. facilities abroad.

We understand that the administration has accepted all but six of the Inman panel's 91 recommendation and has requested $4.4 billion for a five-year enhanced security program.

The AIA supports the administration's funding recommendations but at the same time has several concerns about how a new program would operate. First, the Inman report expresses support for a single set of physical security standards for all foreign affairs agencies. We believe that the goal of a set of standards should be tempered, however, by the reality of foreign missions and the problems of building embassy buildings abroad. Standards must be flexible enough and must be sympathetic to individual environments. Inappropriate standards could lead to wasted funds, effort and a loss of good will.

In this context, the AIA supports performance-based standards rather than proscriptive standards for security. Related to this, some have considered the establishment or design of the prototype buildings as an appropriate security measure. We do not believe this is an appropriate response or a good idea.

The Inman report and the State Department's proposed program have important implications for the way that the Foreign Buildings Office procures architectural services. We understand that the office may oversee as many as 20 to 30 projects a year, and this ten-fold increase in demand on that office must be carefully assessed.

The current system of procurement employed by the State Department apparently mirrors the requirements of the 1972 Brooks Act, which is a qualifications-based approach that endorses traditional selection methods of negotiating a contract with the architectural firm most qualified to provide services for a particular project. We believe that a qualifications-based system of architect selection should remain the cornerstone of the department's building design process.

The AIA is concerned by Secretary Shultz' apparent endorsement of the fast track or design/build approach to implementation of a new building program. We believe that these methods offer a beguiling way to accelerate the foreign buildings program, but are not necessarily easy to execute nor do they guarantee success.

The design/build approach by its nature inserts a contractor or management firm between the Federal Government client and the projects, architects and other design professionals. This barrier can create an interference with direct communication between the Federal Government and the design professionals serving the government, and may reduce the extent to which the Federal Government can actually control the design.

Moreover, because design/build arrangements typically involve low-bid methodologies, they tend to undermine the qualifications-based selections process that underlies quality projects. The lessons of federal procurement suggest that the definitive scope of work and the selection of highly qualified firms and diligent contract monitoring are all essential elements of successful design projects, and cannot be compromised on.

The fourth area I want to touch on has to do with the need for ongoing research. An area that must be addressed in the State Department program is the need for increased research and development. To be successful, design must depend on advances in technology and in communication and less on physical barriers and warning signs.

The foreign building program poses many unique security problems, but their solution depends on a substantial investment in building research and in technology transfer. The committee of the National Research Council's Building Research Board has investigated this area for over a year, and recently reported its findings to the State Department. We are pleased to see that Secretary Shultz has indicated that the implementation plan for the new building program will be based in part on the recommendations of this research effort.

This concludes what I would like to deliver in my oral remarks, but I am happy to answer any questions.

[The statement of Mr. Vonier follows:]

STATEMENT OF

THOMAS VONIER, AIA

On Behalf of

The AMERICAN INSTITUTE OF ARCHITECTS

Before The

SUBCOMMITTEE ON COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS

Of The

APPROPRIATIONS COMMITTEE

Of The

U.S. HOUSE OF REPRESENTATIVES

March 3, 1986

Mr. Chairman and Members of the Subcommittee, my name is Thomas Vonier, AIA. I am here today to present the views of the American Institute of Architects, on the architects' response to international terrorism involving U.S. government non-military facilities overseas. The AIA is the professional association representing the nation's architects. I am founder of Thomas Vonier Associates, an architectural firm in Washington, D.C. and until recently served as the consulting project director of the State Department - sponsored National Academy of Sciences study on the embassy of the future. This study is now under review by the State Department.

Hardly a week goes by without news of another terrorist strike or threat against Americans, often at U.S. facilities overseas. Embassies and chanceries, as well as buildings occupied by such agencies as USAID and USIA, have served as targets of choice and of opportunity for radical elements often willing to trade their lives for a fleeting political statement.

In recent years, the incidence of international terrorism has increased dramatically. According to one survey, in 1972 there were 206 separate domestic and international terrorist attacks worldwide, compared to 3525 attacks in 1984. State Department figures for 1983 indicate that international attacks against U.S. citizens and property alone exceeded total worldwide incidences for 1972. Terrorism is a fact of life that will remain part of the international scene for the forseeable future. And for some nations, it is their most effective form of warfare. As a frequent target, the United States must respond to terrorists threats -- for the safety of its citizens, for the success of its diplomacy, and for its integrity as a sovereign nation.

Because of their special design skills, architects have a central role to play in our response to terrorism. The architect's role is to define and communicate a facility's size, functions, and costs. This definition process--assessing needs and defining the scope of the project--becomes the basis for the architectural program, conceptual drawings, and specifications from which the facility will be constructed. The architect serves as creative director, advisor and coordinator as the project moves to completion.

The architect must answer many competing, difficult-to-reconcile demands. Buildings, whether new or existing, must be made secure against a variety of threats, such as explosive vehicles, sabotage, sniper attack and electronic invasion, to name a few. This is of paramount concern. At the same time, the buildings must be sensitive to their immediate surroundings and to the national context of their host countries. As the policy developed in 1954 for the State Department's Foreign Buildings Office states, "These facilities should create good will because of their excellent architectural design and their appropriateness to the site and country..." And, of course, the buildings must function as efficient places to do business or as suitable places for U.S. personnel to live. In short, the architect faces the multiple challenges of securing buildings against terrorist attacks while making them work as offices or residences, advancing sound architectural values and principles, and promoting through each project, positive diplomatic expressions of the United States' good will. The balance of security and architecture was recently affirmed in Secretary George Shultz's statement, "Our challenge is to strengthen our security against the new dangers so that we can maintain our tradition of openness and accessibility.."

In meeting this challenge, the architect confronts many detailed interior and exterior security considerations on which the success or failure of the particular project rests. Let me describe a few of these considerations:

Security of the site during the construction phase to prevent compromise or sabotage of the project is important. This issue raises questions about the nature of the site, work-site procedures, the construction workforce, and the frequency and nature of inspections.

Since a building is composed of many components and systems, many of which are highly sophisticated, the interaction of these elements as they accomplish their separate functions has great significance for a building's ability to withstand threats. Just to locate compatible systems and components can pose a difficult task.

Interior design and planning are as important to a building's security as its outside features. Considerations surrounding security-conscious building interiors include the grouping of employee functions for efficiency and safety, protection of individual work stations, integration of building materials, assessments of the sensitivity of particular employee functions and susceptibility of the most sensitive functions to building penetration, and the extent to which floor layout contributes to a comprehensive security plan. In the event of hostile entry of building grounds, U.S. personnel need time to destroy classified documents and get to a place of safety. Architecture for security provides that time.

In an article entitled "Design with Fear" which I wrote for the August 1985 issue of Progressive Architecture magazine, I described how gates and doorways can present architects with difficult decisions in designing a physically secure and yet architecturally appropriate building.

> A principle of security planning is to minimize the number of openings, especially for motor vehicles. "Active" barriers can be lowered to admit traffic selectively but otherwise remain raised. These barriers are available in many configurations, but each presents difficulties. In the event of a head-on assault, should a guard or attendant stationed nearby be relied upon to activate the device, if it is down, possibly at the loss of his or her life? Automatic triggering devices are available, but these can be defeated. Most of the effective barriers are very expensive to manufacture an install. They involve many moving parts and may require frequent maintenance. This is a real problem in some overseas locations. If out of service they can cause nightmarish logistical problems. A few of these can be made acceptable to look at, but most are thoroughly objectionable. Secure sally ports, the use of circuitous approaches and well-planned and integrated vehicle entry systems--none of which can be purchased off the shelf and precious few of which exist--are considered the best alternative.

Only the architects, it can be concluded, can successfully produce the answers to a variety of building security problems.

As a lesson for overseas construction programs, the security features surrounding the White House, Treasury Building, U.S. Capitol, and other buildings, which consist of barriers, walls, and fences, reveal a concern for security unmatched by success in making these additions complement the buildings they protect. In warning against potential attack, these barriers turn a cold, foreboding face to the American public. They diminish the special quality of these buildings as unique structures symbolizing American democracy. In so doing, they deprive city residents and visitors of an architectural experience closely related to their experience as American citizens. And unfortunately, in the opinion of some these barriers don't even provide very good security, particularly from head-on vehicle attack. The White House today looks imprisoned in its own ring of concrete. This does not have to be. Good architecture and good security are not mutually exclusive.

In response to the frequent incidence of terrorist attack on U.S. overseas diplomatic and related facilities, and perceived vulnerability of these facilities, the Secretary of State appointed the Advisory Panel on Overseas Security. It was chaired by retired Admiral Bobby Inman, and included a distinguished and knowledgeable membership. An important focus of the panel's report, issued in June 1985, is a vigorous, expanded program of new construction and renovation of overseas buildings. According to the report, "The Panel believes that it is essential that a substantial relocation and building program be initiated and carried out with despatch (sic)."

The report goes on to point out that as many as 126 State Department buildings, and another 216 separate USIA, Foreign Commercial Service, and AID offices would require replacement or varying degrees of renovations because they fail to satisfy one or more of three basic security concerns 1) the Department's current minimum physical security standards for construction quality and distance from the external perimeter barriers; 2) sharing of a "common wall" with adjacent structures; and 3) sharing of the structure with other non-U.S. Government tenants, which means a lack of full control of the building.

The AIA supports the general thrust of the Inman report which has highlighted the importance of improved security at various U.S. facilities abroad. The Administration has accepted all but six of the Inman Panel's 91 recommendations, requesting a $4.4 billion, 5-year enhanced security program. This amount involves $792 million for the current fiscal year, and $1.404 billion for FY 1987. The funds would go primarily for replacement or renovation, with highest priority placed on buildings which are located where threats are greatest and which are deficient in security measures. Residential security improvements, more secure communications equipment, and certain operating expenses will claim the rest of the money. About 120 embassies, chanceries, and offices will be included in the new program. The AIA supports the Administration's funding recommendation. At the same time, the AIA has several concerns about how the new program would operate.

The Inman report expressed support for a single set of physical security standards for all foreign affairs agencies, but acknowledge limitations on this proposal deriving from different building types, uses, and locations among the different agencies. There are security needs and considerations common to all buildings, but a USIA library, for example, must differ substantially in security details from an embassy.

The AIA believes that the foreign affairs agencies involved must consult with each other regarding the goal of developing, first, a set of common physical security standards and, then, more specific standards that can appropriately meet the conditions of individual buildings. However, the goal of a set of standards should be tempered by the reality of foreign missions. Standards must be flexible and sympathetic to individual environments. Inappropriate standards could lead to a waste of money, effort, and good will. It is far better to assess each situation individually and then promote an appropriate architectural response. In this context the AIA supports performance, rather than prescriptive standards.

Some have considered the establishment of prototype buildings as an appropriate security measure. We do not believe that this is a good idea. On the one hand, a prototype would be too restrictive to allow for necessary design solutions for specific building problems. On the other, a prototype would offer such general guidelines as to be irrelevant to specific projects.

The Inman report and the State Department's proposed program have important implications for the way that the Foreign Building Office procures architectural services. That Office has typically overseen only a few major projects in any given year. If the federal government undertakes the massive building program envisioned by the Inman report, the Office will oversee as many as 20 to 30 major projects a year. The impact of this ten-fold increase in demand on that Office must be carefully assessed, because the successful implementation of the building program depends on its ability to accept that demand.

The State Department's capacity to undertake additional building design projects must developed simultaneously with the ability to secure quality architectural services. Quality of design service has much to do with a building's life cycle costs, and represents sound investment. Design services comprise only a small portion of initial construction costs, which in turn constitutes only one-seventh of a building's total costs over a 40-year life expectancy. Selecting architects for foreign building program is complicated by the seemingly contradictory requirements of open and free selection of architects based upon qualifications and the need for security, control, and confidentiality. The current system of procurement employed by the State Department employs an internal review panel and a three-member architectural advisory panel to insure both quality of design and successful project completion. This process apparently mirrors the 1972 Brooks Act qualifications-based approach which endorses the traditional selection method of negotiating a contract with the architectural firm most qualified to provide the services for a particular project. A qualifications-based system of architect selection should be the cornerstone of the Department's building design process. However, it may be possible to better standardize internal working procedures an develop critical reviews as the Inman report recommends.

The prospect of undertaking many new projects over the next few years offers new opportunities to explore alternative procurement methods and to qualify additional architects for this work. The temptation will be to look for the easiest or the cheapest solution. Experience, however, has proven that few shortcuts exist to successful procurement by the public sector.

As the State Department accelerates procurement methods, development of objective criteria to evaluate the qualifications and competence of the design team becomes even more important. Separate review and evaluation criteria must also be developed to insure that the specific details of the project's development and construction are fulfilled to specification.

We are concerned by the Secretary's endorsement of a "fast track," design/build approach to implementation of the new building program. These methods offer a beguiling way to accelerate the foreign building program, but they are not simple to execute, nor do they guarantee success. The design/build approach, by its nature, inserts the contractor/management firm between the federal government client and the project's architect. The barrier created interferes with direct communication between the federal government and the architect, and reduces the extent to which the federal government can actually control the design. In embassy security, where design is so closely bound to personnel safety, direct federal government relationship with the design professionals associated with the project is absolutely essential. Moreover, because design/build arrangements typically involve low-bid methodologies, they tend to undermine the qualifications-based selection process that underlies quality projects. We agree that the safety of U.S. overseas personnel requires rapid implementation of the enhanced building program, but we believe that design/build cannot assure that quality will accompany speedy program implementation. We fear that the opposite will occur. The lessons of federal procurement suggest that a definitive scope of work, the selection of highly qualified firms and diligent contract monitoring are essential elements of successful design projects which cannot be compromised.

An area that must be addressed in the State Department program is the need for increased research and development. To be successful, design must depend on advances in technology and communication and less on physical barriers and warning signs. The foreign building program poses many unique security problems, but their solution depends upon a substantial investment in building research and technology transfer.

Most anti-terrorism research has been directed toward military installations and high-security industrial areas. Relatively little research has been conducted on civilian building and site design. Even less investigation has focused on ways to make anti-terrorist design more aesthetic and contextual. Such research would not only contribute to the State Department's program but would also have broad benefits and applications in a wide range of public and private building types. Development of architectural guidelines, standards, and practices would both insure the security of foreign facilities and aid in securing a wide range of buildings in our own country that have been threatened increasingly by terrorists.

Training courses, education programs for designers, and preparation of graphic standards should all be developed through rigorous research programs sponsored by the State Department, the National Academy of Sciences/National Research Council, and other qualified agencies. A committee of the National Research Council's Building Research Board has investigated this area for over a year, and recently reported its findings. I am pleased to see that Secretary Shultz has indicated that the implementation plan for the new program will be based in part on the recommendations of this research effort.

Much of my testimony has pertained to terrorist attacks against U.S. buildings abroad. But as demonstrated by the breach of barriers at the U.S. Capitol last November, domestic facilities are also vulnerable to terrorism. While the risks for domestic buildings may differ from those overseas, they exist, nevertheless, and attention to our diplomatic posts and other foreign buildings must not cause us to lose sight of building security needs here at home.

The threat of terrorism to our diplomacy and for those who carry it out overseas is clear. The Inman report and the Administration's proposed program, with the exceptions we have noted, point the way toward making our diplomatic posts facilities safer places for our personnel. As professionals involved on a daily basis with the issue of security design, we urge the Subcommittee to endorse the Administration's call for funding in this area. We stand ready to work with you in any way we can to assure that the physical presence of the United States overseas, expressed through its facilities, will incorporate building designs that represent good security and good architecture.

This concludes my testimony. I am happy to respond to any questions you may have.

Mr. SMITH. I am not quite sure what you are saying. Are you saying you think each embassy building we build should be different than others that are built?

Mr. VONIER. Yes ultimately they will be different physically, but I think they all must adhere to a single set of security requirements, that is performance expected of them must not waiver.

Mr. SMITH. Are you saying they ought to all have a different floor plan?

Mr. VONIER. They may. They may require——

Mr. SMITH. Or should they all? I mean, what we are talking about is getting a common floor plan and changing the looks outside to fit in the environment and so forth, instead of every time developing a new floor plan or a new plan. We have had some miserable experiences with some of these buildings, you know. We would be better off if we had copied another building in many instances.

Mr. VONIER. I think that, yes, some of the functional arrangements and the planning arrangements can be similar if not identical from post to post, but I think it is also the case that the size and character of the mission can vary widely from post to post, and I think it reasonable to expect that a difference in the character of the mission and the size of the mission would also lead to differences in the nature of the floor plan, and so I do think there will be a requirement on a case-by-case basis to look at the mission in programmatic terms and to have design reflect that mission.

Mr. SMITH. Thank you.

Mr. VONIER. Thank you.

MONDAY, MARCH 3, 1986.

FEDERAL TRADE COMMISSION

WITNESS

HON. ELDON RUDD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. SMITH. Mr. Rudd. Thank you for coming over.

Mr. RUDD. I appreciate this, Mr. Chairman. I was in another committee meeting with Secretary Harrington. I really appreciate the opportunity to come before you and talk to you for a moment about the situation that has arisen as a result of a processing plant in Yuma, Arizona. I have submitted for the record a very thorough statement.

Mr. SMITH. We will put that in.

Mr. RUDD. Let me just make a plea, if I may, based on the information made available to me by Sunkist Growers regarding a 1981 FTC divestiture order and a proposed civil penalty therefor. This Federal Trade Commission decision to penalize Sunkist Growers very adversely affects my State of Arizona, citrus in general, and certainly in the Yuma area.

Sunkist made a good-faith effort to sell its processing plant in Yuma, Arizona, but because of high interest rates, the demands that were made by the one company that indicated they would buy it—all of this is in the statement that I made—they were unable to sell the plant and comply with the order. Sunkist did sell the plant when things began to level off a little bit, and the commission approved the sale.

I understand that now FTC is going to impose a $10,000-a-day penalty amounting to maybe $5 million on the Sunkist Growers, which is over $1 million more than they sold the plant for when they finally divested themselves of it. If Sunkist Growers had known about this penalty they would have simply turned the plant over to FTC to dispose of, but it is an operation that has cost Sunkist over $5 million, and it has cost both Sunkist and the Federal Trade Commission about $20 million in legal proceedings to do something about a $4 million plant that probably shouldn't have been sold in the first place, but it is very unfair and highly unusual. It does nothing to benefit our economy.

As a matter of fact, it will hurt it and will adversely affect it. I would like to bring this information to you, in view of the fact that you will be making some decisions on funding for the Federal Trade Commission, to see if a little fairer justice can be brought into the case.

[The statement of Mr. Rudd follows:]

STATEMENT OF THE HON. ELDON RUDD BEFORE THE SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE AND JUDICIARY
MARCH 3, 1986

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I COME BEFORE YOU THIS MORNING AS YOU CONSIDER THE APPROPRIATIONS FOR THE FEDERAL TRADE COMMISSION TO BRING TO YOUR ATTENTION A POTENTIALLY SERIOUS SITUATION WHICH, IF NOT REMEDIED, WOULD ADVERSELY AFFECT THE CITRUS GROWERS IN THE STATE OF ARIZONA.

IT IS MY UNDERSTANDING THAT THE STAFF OF THE FTC HAS RECOMMENDED TO THEIR ACTING-CHAIRMAN THAT A SEVERE CIVIL PENALTY BE IMPOSED UPON SUNKIST GROWERS, INC. DUE TO FAILURE TO DIVEST THEIR LEMON PROCESSING PLANT IN YUMA, ARIZONA BY THE FEBRUARY 1983 DEADLINE SETFORTH IN FTC'S CONSENT ORDER OF DIVESTITURE.

PURSUANT TO THE FTC ORDER IN MAY 1981, SUNKIST APPEARS TO HAVE MADE EVERY ATTEMPT TO DIVEST THIS LEMON PROCESSING PLANT IN ACCORDANCE WITH THE TERMS OF THE ORDER. THE FACT THAT THE SALE OF THE PLANT OCCURRED AFTER THE ORDERED DEADLINE DOES NOT APPEAR IN ANY WAY TO BE A RESULT OF SUNKIST'S LACK OF RESPONSIVENESS TO THE ORDER, BUT IN FACT THE DELAY WAS A RESULT OF THEIR EFFORT TO FULLY COMPLY WITH THE TERMS OF THE ORDER.

LET ME SHARE WITH YOU SOME OF THE INFORMATION WHICH WAS PROVIDED TO ME SURROUNDING SUNKIST'S ATTEMPT TO DIVEST THIS PLANT. THE ISSUES ARE AS FOLLOWS.

THE FTC ORDER REQUIRED THAT THE PLANT NOT ONLY BE SOLD TO A VIABLE COMPETITOR, BUT THAT SUNKIST ALSO PROVIDE 40 PERCENT OF THE SUNKIST PROCESS GRADE LEMON IN THE YUMA AREA AS WELL.

As you may be aware, the lemon industry was severely depressed at the time of the order in 1981. Production of lemons in the Yuma area fell from 90,000 acres to 60,000 acres. Lemons for processing sold for about $10 a ton while it cost the growers $60 a ton to harvest them. One ounce of lemon oil will flavor approximately 100 pounds of candy. No buyer wanted the plant under these conditions.

It is also important to note the crisis and disruption to the citrus industry caused by the invasion of the Mediterranean Fruit Fly at that time.

Finally, I hardly need to remind you of the interest rates which were running as high as 20 percent through 1981 making a sale of the building alone extremely difficult, and making a sale of the plant to a competitor who would operate it under the terms of the order as a processing plant prohibitive.

The only serious buyer to come forward prior to the February 83 deadline requested:

- that the total Yuma area Sunkist process grade lemon crop for 14 years be included with the sale;
- that a processing fee from Sunkist which would be sufficient to pay off the cost of the plant as well as provide the buyer with a satisfactory profit be included; and

- THAT SUNKIST MARKET THE PRODUCT UNDER ITS BRAND NAME.

SUCH A SALE WOULD CERTAINLY NOT SATISFY THE FTC REQUIREMENT THAT THE BUYER BE A VIABLE COMPETITOR TO SUNKIST.

IN SPITE OF THESE DIFFICULTIES SUNKIST GROWERS, ACTING IN GOOD FAITH AND COOPERATING FULLY WITH THE FTC, DIVESTED THE PLANT IN AUGUST OF 1984. THE SERIOUS PROBLEMS OF THIS SITUATION, HOWEVER, COME WITH THE APPARENTLY UNPRECEDENTED RETROACTIVE NATURE AND SEVERITY OF THIS PENALTY.

IT IS MY UNDERSTANDING THAT IN ALL PRIOR PENALTY PROCEEDINGS INSTITUTED BY THE FTC, THE ORDERED DIVESTITURE HAD NOT TAKEN PLACE OR THE COMPANY BEING PENALIZED WAS IN VIOLATION OF THE ORDER. AS I MENTIONED EARLIER, SUNKIST'S FAILURE TO DIVEST BEFORE THE DEADLINE WAS NOT DUE TO A VIOLATION OF THE ORDER BUT BECAUSE THEY ATTEMPTED TO SELL THE PLANT IN ACCORDANCE WITH THE ORDER.

AS THE FEBRUARY 1983 DEADLINE APPROACHED, SUNKIST REQUESTED AN EXTENSION OF TIME. AT THE TIME THE FTC DENIED SUNKIST'S REQUEST, THEY INFORMED THEM THAT THEY HAD THE AUTHORITY TO IMPOSE A CIVIL PENALTY IF THE PLANT WAS NOT SOLD IN ACCORDANCE WITH THE ORDER. SUNKIST RESPONDED TO FTC'S DENIAL BY COMMUNICATING TO THE FTC STAFF THAT

THEY SHOULD SUE SUNKIST FOR A PENALTY IF THEY FELT SUNKIST HAD NOT BEEN RESPONSIVE TO THE COMMISSION'S ORDER. NEITHER AT THIS TIME, NOR AT THE TIME OF THE SALE DID THE COMMISSION INSTITUTE A PENALTY PROCEEDING OR ADVISE THAT IT WOULD INSTITUTE A PROCEEDING AT A LATER DATE.

CONSEQUENTLY, AT THE COMPLETION OF THE SALE, SUNKIST GROWERS WERE UNDER THE IMPRESSION THAT THEY HAD ACCOMPLISHED THE PURPOSES OF THE FTC IN SELLING TO A VIABLE COMPETITOR UNDER THE TERMS OF THE ORDER.

IT IS MY UNDERSTANDING THAT THE RECOMMENDATION HAS BEEN MADE THAT THE FTC PENALIZE SUNKIST AT $10,000 A DAY WHICH COULD TOTAL $5 MILLION. IT IS IMPORTANT TO NOTE THAT THE PLANT WAS SOLD FOR ONLY SLIGHTLY OVER $4 MILLION. HAD SUNKIST BEEN AWARE THAT ALMOST TWO YEARS AFTER THE SALE OF THE PLANT, THE FTC WOULD IMPOSE A RETROACTIVE PENALTY TOTALLING MORE THAN THE VALUE OF THE PLANT ITSELF, SUNKIST INDICATES THAT THEY WOULD HAVE SIMPLY HANDED THE PLANT OVER TO THE FTC RATHER THAN CONTINUE TO CAREFULLY COMPLY WITH THE ORDER.

IN ADDITION TO THE APPROXIMATELY $1.2 MILLION SUNKIST GROWERS LOST WHILE OPERATING THIS PLANT DURING THE DIVESTITURE PROCEEDINGS, THEY HAVE ALSO INCURRED LEGAL FEES TOTALLING $2 MILLION A YEAR THROUGHOUT THESE PROCEEDINGS. WHILE THE FTC SHOULD HAVE BY NOW PROVIDED YOU WITH THE EXACT DOLLAR AMOUNT OF FEDERAL FUNDS

WHICH HAVE BEEN SPENT ON THIS DIVESTITURE, IT IS ESTIMATED THAT SUNKIST AND THE FEDERAL GOVERNMENT TOGETHER HAVE SPENT $20 MILLION DURING THE PROCEEDINGS OF A $4 MILLION PLANT.

MY CONCERN, MR. CHAIRMAN, IS THAT IN APPROPRIATING FUNDS TO THE FEDERAL TRADE COMMISSION, YOUR SUBCOMMITTEE SERIOUSLY REVIEW AND CONSIDER THE PUBLIC POLICY OBJECTIVES TO BE SERVED BY FTC'S BRINGING A $5 MILLION CIVIL PENALTY AGAINST SUNKIST GROWERS ALMOST TWO YEARS AFTER THE SALE OF THIS $4 MILLION PLANT.

Mr. SMITH. Let me get this straight. Before Sunkist made the sale, did they get a clearance from FTC or did they think they had a clearance?

Mr. RUDD. They felt that they were doing the sale under the order that the Federal Trade Commission had given them, Mr. Chairman. This is why they finally made the sale. They hadn't been able to sell it up to that point, so they felt they were complying with the order.

Mr. SMITH. But then the FTC said no. Was it consistent with the order? What happened?

Mr. RUDD. The FTC gave them a threat that they could impose penalties on them, but that was two years before all this took place, and at that time Sunkist said there was no way they could get rid of it at that moment, because of high interrest rates, and they said if the Federal Trade Commission didn't agree with that, that they invited the Federal Trade Commission to sue them in order to resolve the situation.

The Federal Trade Commission did not do that, did nothing, and then two years later imposed a terrific penalty, and this is the injustice of the whole thing. It isn't right and it doesn't help our economy. It does nothing for the private sector at all, and it is a very officious, tyrannical decree that is not in keeping with what our government should do in serving the people of our country.

Mr. SMITH. The plant has now been disposed of, though?

Mr. RUDD. They finally did dispose of it, but this was a couple of years ago. But they couldn't at the time the decree was made.

Mr. SMITH. So this penalty they want to assess is for a period prior to the disposal?

Mr. RUDD. I think the penalty really they are talking about imposing it because they didn't sell the plant when FTC told them to sell it, but there was no way they could sell it. There was only one buyer who insisted that Sunkist provide them with the lemons for 14 years to do this, and it was supposed to be a competitor too, and there were three or four things that the FTC order required. I will find it here in just a minute.

They said that Sunkist should process grade lemon crop for 14 years to be included in the sale of this plant, and that the processing fee from Sunkist would be enough to permit the buyer to pay off the cost of the plant as well as give them a satisfactory profit, and then they said that Sunkist should market the product under its brand name.

This is not competition, and it would be highly unprofitable to Sunkist, and extremely profitable for a buyer who would have everything going his way. There is just no way it could be complied with. They thought they were on target because they had invited the Federal Trade Commission, they were telling them they were doing everything they possibly could. They invited FTC to sue them. They did not do that. And then two years later they imposed a $5 million penalty. This is grossly unfair.

Mr. SMITH. Thank you.

Mr. RUDD. I thank you, Mr. Chairman, and I wish you a very pleasant rest of the afternoon.

MONDAY, MARCH 3, 1986.

TRADE ADJUSTMENT ASSISTANCE

WITNESS

DANIEL J. FENNELL, DIRECTOR, COUNCIL FOR LABOR AND INDUSTRY (PHILADELPHIA); AND SECRETARY, INDUSTRIAL POLICY COUNCIL (WASHINGTON, D.C.)

Mr. SMITH. Dan Fennell.

Mr. FENNELL. Thank you, Mr. Chairman. My name is Daniel Fennell. I am the Secretary of the Industrial Policy Council and a director of the Council for Labor and Industry in Philadelphia. The Professional Policy Council is here in Washington, and the Council for Labor and Industry is in Philadelphia.

Mr. Chairman, for many years the Congress of the United States, especially distinguished members of this committee, have supported the trade adjustment assistance program. Year after year you have given trade adjustment assistance life to help countless numbers of companies throughout the country, and the tens of thousands of people who these companies employed, and we want to thank you for your long record of support on behalf of these companies and employees.

In other years we could come before you sometimes with companies that were receiving assistance, so that you could have a report on the results that your appropriation had enabled. Unfortunately, this year we are not able to report on new activities. The Department of Commerce has not yet allowed any of the appropriation that you had provided to be committed for assistance to new companies this year, and it is particularly ironic that this is so.

This is a year when trade deficits outstrip the imagination, when monthly deficit figures continue to rise, despite a devalued dollar, the falling oil prices and voluntary restraints by our trading partners, and when the U.S. has become a debtor nation for the first time in its modern economic history. A much larger number of your colleagues than has ever been the case in the past has embraced trade adjustment assistance in both the House and the Senate, on both sides of the aisle.

In fact, it is remarkable that in these conditions the Commerce Department is closer to achieving what it could not achieve in other years, when these conditions did not prevail, and that is the elimination of the trade program and the elimination of the trade adjustment assistance centers in the regions.

As you know, despite having approved an appropriation for this year, negotiations over reconciliation have held up authorization for TAA, which lapsed on December 19, 1985, and in a side bar dispute that had no relevance to this particular program other than the fact that it wasn't included among those reauthorized.

Commerce has declined to use the appropriation which you have provided, but it has not declined to use the opportunity that has come about to eliminate or at least cripple the trade adjustment assistance centers which are the instrumentality through which assistance to companies is provided.

New Jersey and mid-America are finished, except for final audits. Southeast, Western and New England are turning out their lights this month. Midwest and the Great Lakes are threatened with ending this month as well. New York hasn't received any drawdowns despite very large outlays by their new sponsoring organization in a contract that they signed only on December 18, 1985.

All TAACs have been told to discharge their personnel and cancel contracts they have with companies to provide assistance to those companies.

In years past, Mr. Chairman, the Department of Commerce has said they didn't like the loan program, so this year you gave them the loan program. Even though it has been eliminated, however, Commerce has not relented in its hostility to the program.

The word of Commerce now is that they actually expect reauthorization to occur, but they are using this gap period to dismantle the existing system and to remake it in their own interests.

So far, that interest has been to gain greater control for ITA of TRATAAC money to use for patronage, and I understand that a member of this committee, Mr. Alexander, has joined with Mr. Gibbons and Mr. Pease to ask for a GAO inquiry into that particular issue.

Companies and workers have been injured by this action and this impasse. Yet, throughout this entire period, Commerce has not shown the slightest care for the companies that are suffering from their action.

Perhaps the real victim has been a uniquely effective assistance delivery system which has been created out in the field not by Washington at the trade adjustment assistance centers, these professional units are now being sacrificed to Commerce's intention to restructure and reorganize.

In closing, the Tax Congress has issued a series of contradictory instructions telling tax to full speed ahead and then to continue holding on to staff, and finally questioning whether expenses that were incurred pursuant to their instructions would be allowed at all creating great consternation and considerable potential reliability.

There is not anything automatic, Mr. Chairman, about helping companies in trouble, and so it isn't as if some other group can automatically step into the breach. There are not a lot of organizations that do this work well. Even the contrived IG report of last year gave a grudging salute to the quality of assistance which TAACS provides and now these units are severly wounded by management or mismanagement in Washington by a lack of care and for the sake of a base agenda.

In spite of these setbacks, however, it is likely that the TAA program will be extended for several years. The Trade Adjustment Assistance Reform and extension Act of 1995 appears as Title XIII of the Omnibus Reconciliation Act, and a retroactive extender bill sits in Ways and Means waiting for the outcome of reconciliation which I understand may be decided this week.

This is still the program that has achieved impressive turnarounds in difficult circumstances. In one case that we had in Pennsylvania, a company that came into the trade center virtually bankrupt was turned around in 18 months, so that this company that was in danger of losing 600 employees made $1,100,000 in profit, paid all of its back debt, established a new retirement program for its employees, had an ESOP, a 401(k) plan, paid $8 million in wages, and $3 million in taxes.

Mr. **Smith**. Was that mostly as a result of technical assistance or a loan program?

Mr. **Fennell**. It was a result exclusively of technical assistance, and as a matter of fact that company has testified before the Congress to that effect. This is the program, therefore, whose clients pay for the many times over its actual cost each year, in direct fees and economic gain and in taxes. That particular taxes in that particular company would have paid for the entire operation of the mid-America TAAC for two years, and that is just one company.

This is also the program that has contributed impressively to important policy perspectives on industry trade problems, and the way in which American companies compete with processed technologies.

Mr. Chairman, I gave John just before I sat down a copy of this executive summary which has been circumvented to some Members of Congress. This is a result of a study undertaken in the State of Pennsylvania on the use of advanced manufacturing technologies in trade impacted industries.

The results of this study have been so impressive that in the most recent issue of High Technology Magazine they have been reported and highlighted.

The month before that in Industry Week, they were the subject of its principal editorial. This is important work that is taking place, and we really ask that you consider its continuation.

Please consider a line item appropriation for TAA, to preserve its integrity, and to protect against its use for baser interests.

Mr. Chairman, that concludes my statement today. I would like your leave to submit a more detailed statement for the record, and to place these items that I referred to in the record.

[The statement of Mr. Fennell follows:]

MARCH 3, 1986
STATEMENT OF DANIEL J. FENNELL
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UNITED STATES HOUSE OF REPRESENTATIVES
HONORABLE NEAL SMITH, CHAIRMAN

ON BEHALF OF THE TRADE ADJUSTMENT ASSISTANCE PROGRAM

MR. CHAIRMAN, FOR MANY YEARS THE CONGRESS OF THE UNITED STATES, ESPECIALLY DISTINGUISHED MEMBERS OF THIS COMMITTEE, HAS SUPPORTED THE TRADE ADJUSTMENT ASSISTANCE PROGRAM. YEAR AFTER YEAR, YOU HAVE GIVEN TAA ENOUGH LIFE TO HELP COUNTLESS NUMBERS OF TROUBLED AMERICAN COMPANIES THROUGHOUT THE UNITED STATES AND THE TENS OF THOUSANDS OF PEOPLE WHOM THESE COMPANIES EMPLOYED. WE THANK YOU FOR YOUR LONG RECORD OF SUPPORT.

IN OTHER YEARS WE COULD COME BEFORE YOU, SOMETIMES WITH COMPANIES THAT WERE RECEIVING ASSISTANCE AND REPORT TO YOU ON THE RESULTS WHICH YOUR APPROPRIATION HAD ENABLED. [IN FACT, IN FIELD HEARINGS WHICH THE SUBCOMMITTEE ON TRADE HELD IN ATLANTA LAST EASTER SATURDAY (WHICH WAS ALSO PASSOVER), WORKERS IN COMPANIES FROM THE SOUTHWEST TESTIFIED THAT THEY WERE STILL EMPLOYED BECAUSE OF OPERATING HELP WHICH THE SOUTHEAST TAAC HAD PROVIDED TO THEIR COMPANIES.]

THIS YEAR WE CANNOT REPORT ON NEW ACTIVITIES. THE DEPARTMENT OF COMMERCE HAS NOT YET ALLOWED ANY OF THE FUNDS WHICH YOU APPROPRIATED TO BE COMMITTED FOR ASSISTANCE TO NEW COMPANIES.

IT IS PARTICULARLY IRONIC THAT THIS IS SO: IN A YEAR WHEN THE TRADE DEFICIT OUTSTRIPS THE IMAGINATION, WHEN MONTHLY DEFICIT FIGURES CONTINUE TO RISE DESPITE A DEVALUED DOLLAR, FALLING OIL PRICES AND VOLUNTARY RESTRAINTS BY OUR TRADING PARTNERS, WHEN THE U.S. HAS BECOME A DEBTOR NATION FOR THE FIRST TIME IN MODERN ECONOMIC HISTORY, AND MOREOVER, WHEN A LARGER NUMBER OF YOUR COLLEAGUES THAN EVER BEFORE ON BOTH SIDES OF THE AISLE, IN BOTH THIS HOUSE AND THE SENATE HAVE SUPPORTED TAA. IT IS, IN FACT, REMARKABLE THAT IN THESE CONDITIONS THE COMMERCE DEPARTMENT IS CLOSER TO ACHIEVING WHAT IT COULD NOT ACHIEVE IN OTHER YEARS - [BEFORE THE EXTREME TRADE IMBALANCES OF TODAY AND BEFORE THERE WAS THE DEGREE OF CONGRESSIONAL SUPPORT WHICH HAS NOW EMERGED.]

AS YOU KNOW, DESPITE YOUR HAVING APPROVED AN APPROPRIATION FOR THIS YEAR, NEGOTIATIONS OVER RECONCILIATION HAVE HELD UP AUTHORIZATION FOR TAA, WHICH LAPSED ON DECEMBER 19, 1985 IN A SIDEBAR DISPUTE UNRELATED TO THIS PROGRAM.

COMMERCE HAS DECLINED TO USE YOUR APPROPRIATION BUT HAS USED THE OPPORTUNITY TO ELIMINATE - OR AT LEAST CRIPPLE - TRADE ADJUSTMENT ASSISTANCE CENTERS WHICH ARE THE INSTRUMENTALITIES THROUGH WHICH ASSISTANCE TO COMPANIES IS PROVIDED - NEW JERSEY AND MID-AMERICA ARE FINISHED EXCEPT FOR FINAL AUDITS; SOUTHEAST, WESTERN AND NEW ENGLAND TURN OFF THEIR LIGHTS THIS MONTH; NEW YORK HAS NOT RECEIVED ANY DRAWDOWNS DESPITE LARGE OUTLAYS BY ITS NEW SPONSORING ORGANIZATION, THE LONG ISLAND AREA DEVELOPMENT AGENCY (LIADA); ALL TAACS HAVE BEEN DIRECTED TO DISCHARGE THEIR PEOPLE AND TO CANCEL THEIR CONTRACTS WITH CLIENTS.

IN YEARS PAST, DOC HAS CLAIMED THAT THE PROGRAM WAS NOT EFFECTIVE AND THE LOAN PROGRAM WAS ANATHEMA. EVEN THOUGH YOU ELIMINATED THE LOAN PROGRAM THIS YEAR COMMERCE HAS NOT RELENTED IN ITS HOSTILITY TO THE PROGRAM.

THE WORD AT COMMERCE NOW IS THAT THEY EXPECT REAUTHORIZATION BUT ARE USING THIS "GAP" PERIOD TO DISMANTLE THE EXISTING SYSTEM AND REMAKE IT IN THEIR OWN INTEREST. SO FAR THAT INTEREST HAS BEEN GREATER ITA CONTROL OF TRADE ACT MONEY TO USE FOR PATRONAGE.

COMPANIES AND WORKERS HAVE BEEN INJURED BY THIS IMPASSE - YET THROUGHOUT THIS PERIOD COMMERCE HAS NOT SHOWN THE SLIGHTEST CARE FOR THE COMPANIES THAT ARE SUFFERING FROM THEIR ACTION. BUT PERHAPS THE REAL VICTIM HAS BEEN A UNIQUELY EFFECTIVE ASSISTANCE DELIVERY SYSTEM WHICH WAS CREATED OUT IN THE FIELD - NOT BY WASHINGTON - AT THE TAACS. THESE PROFESSIONAL UNITS ARE BEING SACRIFICED TO COMMERCE'S INTENTION TO "RESTRUCTURE" AND "REORGANIZE." IN CLOSING THE TAACS COMMERCE HAS ISSUED A SERIES OF CONTRADICTING INSTRUCTIONS, TELLING TAACS FIRST TO PROCEED FULL SPEED AHEAD, THEN TO CONTINUE INCURRING EXPENSES, AND FINALLY QUESTIONING WHETHER EXPENSES INCURRED PURSUANT TO THEIR INSTRUCTIONS WOULD BE ALLOWED.

THERE IS NOT ANYTHING AUTOMATIC ABOUT HELPING COMPANIES IN TROUBLE. THERE ARE NOT A LOT OF ORGANIZATIONS THAT DO IT WELL. EVEN THE CONTRIVED IG REPORT OF LAST YEAR GAVE GRUDGING SALUTE TO THE QUALITY OF TAAC ASSISTANCE.* NOW THESE UNITS ARE SEVERELY WOUNDED BY MISMANAGEMENT IN WASHINGTON, BY LACK OF CARE AND FOR THE SAKE OF A BASE AGENDA.

IN SPITE OF THESE SETBACKS, HOWEVER, IT IS LIKELY THAT THE TAA PROGRAM WILL BE EXTENDED FOR SEVERAL YEARS: THE TRADE ADJUSTMENT ASSISTANCE REFORM AND EXTENSION ACT OF 1985 APPEARS AS TITLE XIII OF THE OMNIBUS RECONCILIATION ACT, AND A RETROACTIVE EXTENDER BILL SITS IN WAYS AND MEANS AWAITING THE OUTCOME OF RECONCILIATION.

THIS IS STILL THE PROGRAM WHICH HAS ACHIEVED IMPRESSIVE TURNAROUNDS IN DIFFICULT CIRCUMSTANCES,* IT IS THE PROGRAM WHOSE CLIENTS PAY FOR IT MANY TIMES OVER EACH YEAR IN DIRECT FEES, ECONOMIC GAIN AND TAXES, (EXAMPLES) AND IT IS THE PROGRAM WHICH HAS CONTRIBUTED IMPORTANT POLICY PERSPECTIVES ON INDUSTRY TRADE PROBLEMS AND THE WAY AMERICAN COMPANIES COMPETE WITH PROCESS TECHNOLOGIES.* (EXAMPLE)

PLEASE CONSIDER A LINE ITEM APPROPRIATION FOR TAA TO PRESERVE ITS INTEGRITY AND PROTECT AGAINST ITS USE FOR BASER INTERESTS.

Mr. **Smith.** You say this authorization is in the reconciliation?

Mr. **Fennell.** Yes, sir, it is.

Mr. **Smith.** Is there some other track to advancing this arm besides that?

Mr. **Fennell.** The continuation of the program was anticipated. I believe it is H.R. 3128 was the bill that finally emerged that was the combination of input from the House and the Senate that came out of the conference committee in December. There has also been a bill introduced by, I believe, Olympia Snowe. There has been another bill introduced for continuation of the program as it presently exists, H.R. 3128 makes some refinements in the existing program, in anticipation of the changeover to its support.

Mr. **Smith.** We ran into that authorizing problem though. The reconciliation vehicle is not a very good vehicle. There are some other things wrong with that vehicle. Depending on that isn't too good.

Mr. **Fennell.** I understand that, Mr. Chairman. There is an extender bill that Ways and Means has had before it since its return. The chairman has wished to determine what the fate of reconciliation would be before proceeding with it, but I understand from his staff that they expect that determination to be concluded by the end of this week.

Mr. **Smith.** Thank you.

Mr. **Fennell.** Thank you, Mr. Chairman.

Monday, March 3, 1986.

CENSUS BUREAU

WITNESSES

MARVIN MILLER, SOCIETY OF AMERICAN FLORISTS

ELAINE ACEVEDO, DIRECTOR OF GOVERNMENTAL AFFAIRS, SAF

Mr. **Smith.** Marvin Miller.

Mr. **Miller.** Mr. Chairman, I am Dr. Marvin Miller, market research manager for George J. Ball, a breeder, producer and distributor of flower and vegetable seeds and other horticultural inputs.

George J. Ball is based in West Chicago, and we have companies with locations in California, Florida, New Jersey, and 13 other countries around the world.

In the U.S. our 55 Ball Seed Company salesmen serve commercial greenhouse producers in every state. Overseas, our products are sold in over 100 countries.

I am testifying today on behalf of the Society of American Florists. SAF is a trade association representing the entire floral industry. Our approximately 9,000 members include growers, wholesalers, retailers, allied trades people, and 144 other industry trade associations whose memberships comprise an additional 22,000 businesses.

Accompanying me today is Elaine Acevedo, director of governmental affairs from the SAF staff.

Our industry is concerned, because budget cuts have forced the Census Bureau to eliminate funds for the Census of Horticultural Specialties. The next census has been scheduled for early 1989.

This report, the only comprehensive report on U.S. horticulture, provides unbiased statistics which are vital to our industry, which aid the consumer by helping to foster production and marketing efficiencies, and which also seem to be quite important to government itself.

The Census of Horticultural Specialties has been conducted regularly at approximately 10-year intervals since 1950. Our industry has become quite dependent on this census.

Some examples will perhaps best illustrate our need.

Our industry's growers regularly made the most expensive investments in product of any form of agriculture. Greenhouse costs might begin at about $175,000 per acre, but they can easily run five times that amount.

The crops which one grows are not universally transferable between various structures or equipment configurations.

Prudent growers decide what they are going to produce before they build a greenhouse. That decision can easily influence their fixed asset expenditures by that magnitude of five of which I spoke.

Our industry is not composed of the rich, by any means, as the typical greenhouse entrepreneur begins with only about 5,000 square feet. Indeed, the industry's average greenhouse size reported in the 1979 census was less than 30,000 square feet.

Our typical operation is, indeed, a "mom and pop" firm employing an average of less than six full-time employees. Our entrepreneurs typically must use personal collateral for the entire amount of greenhouse construction, as banks simply will not lend against a greenhouse asset.

To complicate the situation even more, the grower often makes his crop investment decisions using a multi-year growing cycle.

A rose grower, for example, plants a bush expecting a harvest for at least five years. A grower involving nursery production may wait many years before his trees and shrubs are of a proper size.

Hence, these data become extremely important for a grower as they invest in long-term production equipment for even short-term crop inputs.

The data also become extremely important searching for market niches. Although he may have planted his crops before building a greenhouse, he faces an ever-growing market place.

To be assured the best possible returns, a grower may send his crop clear across the country. Many examples could be cited like that of the Virginia grower who finds a much better price for his crop with the Chicago supermarket chain than he can from a local retailer florist industry.

Michigan raises bedding plants, providing products for much of the South, and California nursery stock regularly reaches the East Coast.

In none of these examples do census data provide a name for the best market opportunities, but they do suggest where one can look.

The increased production and marketing efficiencies that such data promote also aid the consumer. Horticultural specialties as defined in the census include flowers that greet us as newborns, accompany us to the altar, and take us to the grave. They add value to our homes as trees, sod, shrubs, and bedding plants, and are often in our food as greenhouse vegetables and mushrooms.

Unless one gets the notion that this industry's products appeal to only a few folks, let it be known that a full 83 percent of U.S. households were reportedly involved in some form of gardening activity, according to a recent Gallup poll. Truly, many consumers stand to benefit from improved market performance.

An obvious question may be, why should government be involved? Why does this industry need this Census Bureau to collect such data?

Part of the answer deals with the fragmented nature of the industry. Although we do have some national trade associations, many of our strongest associations revolve around state or local groups.

The nature of the "mom and pop" kind of entrepreneur tends to support healthy competition, yes, but it also bolsters the kind of independence that only the Census Bureau's leverage can corral. But perhaps it is the ability to collect general purpose statistics rather than just their mandatory reporting authority that makes the Census Bureau the logical choice.

The statisticians and computer capabilities are part of the reasoning as is the ability to conduct a standardized census on a national level.

Census also has very unique abilities involving mailing lists, which, quite frankly, no state or government agency nor even national trade association can match.

The ability to identify horticultural growers from the general census of agriculture is part of the key, but the confidentiality that the Bureau can provide also aids in gaining the confidence of certain cooperators who lend private mailing lists solely for this purpose.

Truly the Census Bureau's abilities and leverage in gaining industry cooperation could not be bought with any amount of private funding.

Another argument favoring government funding for such an effort is that the government is a prime user of these data. In my position in maket research at our company, I find myself working with these data literally on a daily basis.

Most of that work is in response to data requests from our own people for planning purposes, but the second highest work load regarding these data stems from requests from various government agencies.

We get inquiries from state agricultural offices seeking information that can be used to help appropriate extension services and research funds, and many request information to answer constituent needs about which crops to grow.

Other agencies, including the Animal and Plant Health Inspection Service, the U.S. International Trade Commission and even the Michigan State Highway Department, have recently surfaced.

For each of these cases, these government sponsored data have been used to answer questions posed by government.

Government has traditionally helped industries by nurturing those that foster employment and economic growth. The 1979

Census of Horticultural Specialties reported on nearly 224,000 workers involved in basic horticultural production.

Wholesaling and retailing operations and the allied floral industries certainly add many more. Production for 1979 was valued at over $3.2 billion at the grower level. Yet, the industry has kept pace with even farm level inflation since that period.

It accounts for at least $4.4 billion annually in sales today. At retail, this figure is conservatively at least doubled. Yet horticulture, from all indications, has grown faster than inflation and has been one of the few shining stars in the agricultural scene of recent years.

Certainly, the $1.6 million price tag for five years of work on the Census of Horticulture Specialties through Fiscal Year 1990 can be justified in light of what horticulture annually returns to the economy.

The $100,000 already appropriated in Fiscal Year 1986 and the $155,000 needed in Fiscal Year 1987 are included in that sum for developmental work.

In conclusion, we urge Congress to specifically appropriate $155,000 for Fiscal Year 1987 for the 1988 Census of Horticultural Specialties. These data are essential to our industry. They aid the consumer by helping to foster production and marketing efficiencies, and they answer a lot of government's own inquiries.

The Census of Horticulture Specialties provides necessary input without which our industry would certainly have many guesses but definitely no facts.

[The statement of Marvin N. Miller follows:]

SOCIETY OF AMERICAN FLORISTS

TESTIMONY

STATEMENT GIVEN BY DR. MARVIN N. MILLER

HOUSE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE, AND STATE

THE JUDICIARY AND RELATED AGENCIES

MARCH 3, 1986

Society of American Florists
1601 Duke Street
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836-8700

The Society of American Florists, a trade association representing the floral industry, is concerned because budget cuts to the Census Bureau's Agriculture Division have forced the Bureau to eliminate funds for the Census of Horticultural Specialties. The next census had been scheduled for early 1989--reporting on 1988 production results. This report is the only comprehensive report on U.S. horticulture. It provides unbiased statistics which are vital to our industry, which aid the consumer by helping to foster production and marketing efficiencies, and which also seem to be quite important to government, itself.

There have been six Censuses of Horticultural Specialties taken in conjunction with various agricultural censuses dating back to 1890. However, this special census has been conducted regularly at approximately ten year intervals since 1950. Our industry has become quite dependent on the regularity of this census; some examples will, perhaps, best illustrate our need.

Our industry's growers regularly make the most intensive investments in production of any form of agriculture. Greenhouse costs might begin at about $175,000 per acre, but they can easily run to five times that amount. Obviously, greenhouses are not all created equally and the crops which one grows are not universally transferable between various structures or equipment configurations. Yet, prudent growers decide whether they are going to raise bedding plants or raise cut roses before they build a greenhouse; that decision can easily influence their fixed asset expenditures by five of which I spoke.

Our industry is not composed of the rich, by any means, as the typical greenhouse entrepreneur begins not at an acre, but with only about 5,000 square feet. Indeed, the industry's average greenhouse size reported in the 1979 Census of Horticultural Specialties was less than 30,000 square feet. Our typical operation is indeed a "mom and pop" kind of firm. In 1979, the industry averaged less than six full-time employees per establishment. And, yet, these entrepreneurs, unlike those of many businesses, typically must use personal collateral for the entire amount of any developmental loans for greenhouse construction. Banks simply will not lend against a greenhouse asset; homes and personal finances must back that greenhouse construction.

To complicate the situation even more, the grower may not only build his greenhouse to survive several decades, but he often makes his crop investment decisions using a multi-year planning cycle. A rose grower, for example, plants a bush that he'll harvest from for five to eight years. Carnations are typically planted for a two-year stretch. And, if a grower is involved in nursery production, he may be talking about many years before his trees and shrubs reach saleable size. Hence, these data become extremely important for a grower as he invests in long-term production equipment or relatively short-term crop inputs.

The data also become extremely important to the grower searching for appropriate market niches. Although he may have planned his crops before building his greenhouses, a grower faces an ever-changing marketplace. If a grower is to be assured the best possible return, he may send his crop clear across the country. Many examples could be cited, like that of the Virginia grower who finds a much better price for his crop with a Chicago supermarket chain than he can from a local traditional retail florist industry. Or, the Maryland retail nurseryman who buys plants from Massachusetts, New York and New Jersey growers because they are more competitive than local producers of the same products. Michigan-raised bedding plants provide garden flowers for much of the South, and California nursery stock regularly reaches parts of the East Coast. In none of these examples, do Census data provide a name for the better market opportunities, but they do suggest where one can look.

Indeed, one can examine data from the 1979 Census of Horticultural Specialties for almost any crop and find instances where the average price for crops will vary among different states 100%, 200%, or 300%. As an example, if one were to divide total wholesale sales dollars by the number of wholesale units sold, one could learn that roses sold for an average of 19 cents each in California but, 50 cents each in Louisiana in 1979; while there may be some differences as to the characteristics of these roses, the data help to explain why several California rose shippers beat a path to the Bayou State every week. Similarly, Maryland potted chrysanthemums sold wholesale for $1.33 in 1979, while those just North of the Mason-Dixon Line (in Pennsylvania) were $1.19 higher per pot.

The increased production and marketing efficiencies that such data promote obviously benefit growers, wholesalers, and retailers in our industry, but such efficiencies also aid the consumer. Horticultural Specialties, as defined in the Census, greet us in maternity wards as "new borns," accompany us to the altar as wedding bouquets, and take us to the grave as memorial. They add value to our homes with trees, sod, shrubs, and bedding plants and often are in our food as greenhouse vegetables and mushrooms. And, lest one get the notion that this industry's products appeal to only a few folks, let it be noted that a full 83 percent of U.S. households were reportedly involved in some form of gardening activity, making gardening the number one outdoor leisure activity in America, according to a recent Gallup poll. Truly, many consumers stand to benefit from improved market performance.

Now, an obvious question may be "Why should government be involved? Why does this industry need the Census Bureau to collect such data?" Part of the answer deals with the fragmented nature of the industry. Although we do have some national trade associations, the Society American Florists being the largest, many of our strongest associations revolve around state or even local groups. The nature of the "mom and pop" kind of entrepreneur tends to support healthy competition, yes, but it also bolsters the kind of independence that only the Census Bureau's leverage can corral. But, perhaps, it is the ability of the Bureau to collect general purpose statistics rather than just their mandatory reporting authority that makes the Census Bureau the logical choice. The statisticians and the computer capabilities are part of the reasoning, as is the ability to conduct a standardized census on a national level.

Census also has very unique abilities involving mailing lists, which quite frankly, no state nor other government agency nor even national trade associations can match. The ability to identify horticultural growers for the general Census of Agriculture is part of the key, but the confidentiality that the Bureau can provide also aids in gaining the confidence of certain cooperators who lend private mailing lists solely for this purpose. Truly, the Census Bureau's abilities and leverage in gaining industry co-operation could not be bought with any amount of private funding.

Perhaps, another argument favoring government funding for such an effort is that the government is a prime user of these data. In my position, in market research at our company, I find myself working with these data literally on a daily basis. Most of that work is in response to data requests from our own people for planning purposes. But the second highest work load regarding these data, even in our private, family-owned company, stems from requests we get from various government agencies. We get inquiries from state agriculture offices seeking information that can be used to help appropriate extension service and research funds and many requests for information to answer constituent needs about which crops to grow. We get requests that stem from EPA concerns--a need for information on crop numbers to aid in developing impact statements for new restrictions being placed on long established and widely used pesticides. From the Animal and Plant Health Inspection Service--people trying to determine potential effects should a lessening of quarantine restrictions suddenly admit a new pest which plagues our industry. From the U.S. International Trade Commission--trying to determine whether or not imports have truly affected the domestic producers. Or even from the Michigan State Highway Department which most recently asked how to value a greenhouse they were condemning as they complete the Interstate around Detroit. For each of these cases, these government sponsored data have been used to answer questions posed by government.

Government has traditionally helped industries by nuturing those that foster employment and economic growth. The 1979 Census of Horticultural Specialties reported on nearly 224,000 workers involved in basic horticultural production; wholesaling and retailing operations and the allied floral industries certainly add many more. Production for 1979 was valued at over $3.2 billion at the grower level; if the industry has kept pace with even farm level inflation since that period, it accounts for a least $4.4 billion in sales today. At retail, this figure is conservatively at least doubled. Yet, horticulture, from all indications has grown even faster than inflation and has been one of the few shining stars in the agricultural scene of recent years. For an industry that has never received price supports nor benefitted from curtailment programs, horticulture seems to be thriving. Certainly the $1.6 million price tag for five years of work on the Census of Horticultural Specialties through FY90 can be justified in light of what horticulture returns to the economy; the $100,000 already appropriated in FY86 and the $155,000 needed in FY87 are included in this sum for developmental work on the Census.

To be candid, it should be noted that USDA provides our only other source of industry production data. The Crop Reporting Board's Floriculture Crops report has been issued every year since 1956, save three. One of the years of the report's absence was early in the history of the report, but the other two years were most recent, 1983 and 1984. Congress reinstated funding for this report just last fiscal year, and USDA has chosen to retain the report even in light of current budget pressures due to the critical need for data exposed during its earlier absence.

The Floriculture Crops report, however, is voluntary. It only surveys 28 states and has only collected data on a limited number of floral crops. As a comparison, the 1979 Floriculture Crops report only surveyed 30 percent of the wholesale production value recorded in the Census of Horticultural Specialties for the same year. Although they too are essential in providing annual trend information on some of the major floral crops, the USDA data are certainly no match for the in-depth reporting provided by the Census of Horticultural Specialties on the entire horticultural industry. The Census report has traditionally provided the necessary information upon which annual industry estimates derived from using the USDA data can be based.

In conclusion, we urge Congress to specifically appropriate $155,000 in FY87 for the 1988 Census of Horticultural Specialties. These data are essential to our industry. They aid the consumer by helping to foster production and marketing efficiencies. And they answer a lot of government's own inquiries. The Census of Horticultural Specialties provides a necessary input without which our industry would certainly have many guesses but definitely no facts!

Mr. **Smith**. Is there any other sources for these statistics?

Mr. **Miller**. We do have a statistical report put out annually called the Flora Culture Crops Report.

Mr. **Smith**. How does it differ?

Mr. **Miller**. If you want to compare the 1979 Census with the 1979 Flora Culture Crops Report, the Flora Culture Crops Report only captured about 30 percent of the production value at wholesale of the Census.

Furthermore, USD's report is voluntary. It only surveys 28 states, and it only asks about some major flora cultural crops. In some instances, there is no comparison, although both are necessary, because parts of the industry do use the annual reports based on the Census for estimates of current value.

Mr. **Smith**. Thank you.

Monday, March 3, 1986.

GRANTS TO TAILORED CLOTHING TECHNOLOGY CORPORATION

WITNESSES

MURRAY FINLEY, PRESIDENT

PETER BUTENHOFF, MANAGER OF INTERNATIONAL AFFAIRS AND PROJECT ADMINISTRATIOIN FOR TC SQUARED

Mr. **Smith**. Murray Finley.

Mr. **Finley**. My name is Murray Finley, President of the Amalgamated Clothing and Textile Workers Union, a union of approximately 325,000 people who are employed in the manufacture of apparel and the making of the textile and in the making of the fibers that go into the textile industry.

Mr. Chairman, I have prepared and I have presented a reasonably lengthy statement.

Mr. **Smith**. We will insert it into the record.

Mr. **Finley**. With your permission, that will be part of the record.

I would like to talk for five minutes just in summarization, if I might, Mr. Chairman, as to why we are here at this time before this subcommittee.

The textile apparel industry of the United States employs about 1,700,000 some thousand people. It is the largest manufacturing industry in the country. Of that number, almost nine hundred and some thousand, close to a million, are employed in the apparel side, the manufacturing of clothing and apparel that the children, women and men of the United States wear.

If you add it upstream and downstream, the cotton producers, the wool producers, and all the rest who are involved and make their living from the industry, you are talking about close to 4 million people, another 2 million people.

It is a very important industry in terms of the numbers and the locations that go from almost all 50 states of this union.

It is not an industry that is concentrated in any one particular spot. It affects, by the way, not only the small communities throughout the United States.

It has a very high percentage of women in apparel. Some 80 percent of the employees are women—a high percentage of minorities who work especially in the larger cities, in the Southwest, and so forth.

You have the black, hispanic, asiatic. You have people from Europe and so on. It is, in a sense, the port of entry for people into the American system and the American dream.

This industry supplies that very important basic need. The industry is in trouble. It is in trouble for many reasons, one of which, as you are familiar with, the problem of imports from off shore. We have lost some 300,000 people in the last five or six years as a result of penetration.

About six or seven years ago, we decided among other ways to approach the problem. The industry—and I state this with a little bit of pride, because our union actually started the idea—we convened a group of half a dozen of the major larger companies and suggested to them that since, individually, none of them generated enough cash flow, because it is made up, basically, of small companies—there are one or two large ones, but basically the great bulk are small entrepreneurs—don't generate enough cash flow to really do a research and development among full technology.

Even though this is the most productive textile apparel industry in the world, it still hasn't the financial ability to develop the kind of high technology which would make it possible for the American industry to compete against other countries where the wage levels are 40, 50, 60, or 70 cents an hour. So we had the idea getting a half dozen of the largest. They came to our office and said, look, maybe if we all pool our resources we can get together enough money to be able to do that which no one individually could do or would be willing to risk.

And they were not only interested, they were very much interested, and we did it.

Then, we added the textile companies and the fiber companies—and the union puts in money, by the way, every year into this program, Mr. Chairman. And we went to the government, and the government contributed and started small, because nobody knew where in the world we were going with this.

I want you to know, before we did it we had to go to our membership and explain to them why our union is not in the process of initiating what we call high technology.

Our members understood from day one that the answer to their job security is that technology would be the answer, not the problem, and so we have done this with the understanding and approval of our membership.

And so the program developed, and we now are in the process, frankly, and we say this with great pride—we are using a high tech laboratory in Cambridge, Massachusetts, the Charles Stark Draper Laboratory, who does some of the work for our Defense Department, the guided missile, the man in the moon. Some are very sophisticated.

They went to work on this problem, and we are now in the process, and the machines are now available, will be available in the next few months, where we develop robots, literally—literally robots that can handle limp fabric.

It is one thing for a robot to pick up a rigid item. When you take a limp item and place it so it can be sewn, that is a technical breakthrough that I don't think there is anywhere else in the world, where the sewing of the garment is going to be done in a much more automated way.

We have come to the point now where there will be three machines available in three of the major apparel companies for actual testing.

We are working on a contract with a large machinery maker here in the United States, by the way, who is going to make these machines for commercialization.

They will, without any question, reduce the labor content, depending on where it is used, 10, 15, 20 percent.

In our judgment, what this will do, Mr. Chairman, is not reduce jobs by 10, 15 or 20 or 25 percent. It will stop the erosion of jobs, because as we reduce the labor content, we are now more competitive against the low wage area.

For them it won't be worth while, because if you can buy a worker for 30 cents an hour you are not going to buy a machine. The hands are cheaper. But when you are able, as we are doing, to be able to do this, we will then be able to compete with off shore people. We will reduce imports. We think we can bring them back. Erosion of jobs, in our judgment, will be erased.

But we are racing time, Mr. Chairman, in that the Japanese have allocated $60 million for a similar kind of a program. They expect to have automated apparel operation ready by 1990, so it is a kind of a race against time.

What do we need? We need the financial resources. The private sector is coming up with $5 million a year. We did last year, and we expect to this year. Last year you were good enough to recommend, and it was approved by Congress, $3.5 million.

The year before, the same. The $3.5 is going to be reduced to $3.35 under the Gramm-Rudman formula. We are asking again for the $3.35 million as a line item for the technology corporation in the Fiscal 1987 budget.

We don't think this is a grant. We literally think this is one of the best investments, because we think while it will cost the government, say, $3.35, if it saves jobs and it saves enterprises, you will be saving the tax revenue of the individuals. You will be saving the tax revenue of the companies.

And you will be saving communities, in small town after small town where these plants are the only employer in town, besides the human thing that it does to people who have jobs rather than public assistance, as you are well aware.

So, we ask you again to do what was done. We are at the threshhold. These machines will be in testing, under production levels, in the next few months this year.

We are hopeful in another year or so, by the end of the year hopefully, they will be out for marketing, for American companies to get the edge on this.

If we don't get the funds, I guess we will limp along, but it will delay it, and with the rate of imports and the problems, delay can be fatal in terms of the employers' willingness to invest or not invest.

If they don't see this in time, then their whole mental attitude changes. So we come to you again, Mr. Chairman, asking that you do what you did a year ago and as you saw fit the year before, to grant not the $3.5 million as you did last year and the year before, but $3.35 million.

[The statement of Murray Finley follows:]

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STATEMENT OF

MURRAY H. FINLEY
PRESIDENT

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, AFL-CIO

To The

Subcommittee on Commerce, Justice, and State,
the Judiciary and Related Agencies
Committee on Appropriations
U.S. House of Representatives

March 3, 1986

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STATEMENT OF
MURRAY H. FINLEY
PRESIDENT
AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, AFL-CIO

To The
Subcommittee on Commerce, Justice, and State,
the Judiciary and Related Agencies
Committee on Appropriations
U.S. House of Representatives

March 3, 1986

INTRODUCTION

My name is Murray Finley, and I am President of the Amalgamated Clothing and Textile Workers Union, AFL-CIO, which has a membership of some 325,000 workers who produce various items of men's and boys' clothing and textile mill products.

I appreciate the opportunity to appear before the Subcommittee today regarding an appropriation of $3.35 million for fiscal year 1987 for the Textile/Clothing Technology Corporation. Our Union has been a strong supporter of -- indeed, one of the main driving forces behind -- the Textile/Clothing Technology Corporation, or TC^2 as it is commonly known. Our members support this effort and are enthusiastic about its potential because it will save jobs.

TC^2 was created through funding by our Union, individual companies and the U.S. Government. Grants from the U.S. Department of Commerce have enabled the important work of the Textile/Clothing Technology Corporation to continue, and it is important to the continued success of this project that additional appropriations be made available.

From the point of view of the government, the funds made available to TC^2 represent an investment that the government will get back in the form of saving an American industry and the jobs of its workers. This is certainly a high rate of return for a limited investment.

Today, I would like to tell members of the Subcommittee what the Textile/Clothing Technology Corporation is, what it has accomplished, and why it is so important that it continue its work.

EFFORTS TO COMPETE: A MODERNIZATION PROGRAM

Simply put, we need the Textile/Clothing Technology Corporation to continue the modernization program of the U.S. textile and apparel industry in order to compete more effectively with imports. It represents a critically important initiative among several that the industry has undertaken.

There are a lot of myths about the textile and apparel industry today -- myths that it is not productive; that it is technologically sluggish, and, therefore, not competitive; and that capital investment is low. These are myths. The reality is that we have the most modern, technologically advanced and productive textile/apparel industry in the world today. We are in the throes of remarkable efforts to modernize this industry further, efforts which our union supports and in which we are fully participating, and efforts which will be inhibited without continued assistance from the U.S. Government.

The continuous modernization of American industry is basic to maintaining America's competitiveness in international trade and U.S. labor is willing to do its part. We understand the need for technological advances to assist in bringing down costs and improving our competitiveness. It would be foolish for labor to think otherwise, since the alternative is rapid attrition of jobs and closed plants as U.S. firms fail to compete with imports.

Our union is actively pursuing the goal of technological advancement. The men's clothing, textile and fiber industry represents an outstanding example of labor and management working together to reduce costs and thereby improve its competitive position.

This brings me to the business of today. Our Union and several participating companies are each investing substantial sums each year in the Textile/Clothing Technology Corporation, which is working with Draper Laboratories of Cambridge, Massachusetts. In the aggregate these private sector contributions exceed contributions by the Government. Supported by these private contributions, together with grants from the U.S. Department of Commerce, the Textile/Clothing Technology Corporation is conducting extensive research into reducing production costs.

To continue this project, a $3.5 million grant for fiscal year 1987 has been requested, the same as for the present fiscal year, but as a result of Gramm-Rudman this has been reduced to about $3.35 million. Approval by this Subcommittee of this item will help ensure that this important project receives this additional funding.

WHAT TC^2 IS DOING FOR THE MEN'S TAILORED CLOTHING INDUSTRY

Generally speaking, TC^2 is looking at ways of transforming the method of manufacturing garments by looking outside traditional methods. For example, it has been determined that only 25 percent of labor requirements in the manufacture of tailored clothing are in the sewing of the garment. Clearly, we must attempt to reduce handling costs and TC^2 is addressing itself to the reduction in handling requirements. There have been real break-throughs here. We have developed robotization techniques for application to the garment industry.

Let me be more specific. TC^2 has developed a computerized production process with robots which will take cut fabric and fully automate the manufacture of subassemblies. The cut fabric will be automatically fed into a machine and, with a computer-aided vision system and robot, will sew, turn, and fold the fabric. The conversion of limp fabric into sewn parts of garments with the use of computers and robots represents a major technological breakthrough. Until this development, the use of robots in the production process was essentially limited to rigid materials such as metals.

Since testifying before this Subcommittee last April, significant new strides have been made by TC^2. Let me bring you up to date.

In about one month, we expect production of jacket sleeves to begin at the Draper Laboratories with workers from Palm Beach Incorporated of Cincinnati, a leading men's tailored clothing manufacturer. The machine will then be installed at the Palm Beach plant in Knoxville, Tennessee. Two additional machines are under construction, one of which will go to the Hartmarx Corporation, another leading men's tailored clothing manufacturer, headquartered in Chicago. The third machine is being constructed to sew trousers. It has not been assigned as yet to a manufacturer, but interest in participating in a trial use of this machine has been expressed by Greif Companies, a division of Genesco, for its plant in Allentown, Pennsylvania.

Another important development is that TC^2 is about to sign a contract with a U.S. machinery manufacturer to commercialize the technology developed at the Draper Laboratories. Royalties will accrue to TC^2 and will be put into further R&D.

Having had the proven success thus far with workable technology to produce sleeves, coat backs, and trousers, the Draper Laboratories are beginning a new activity to apply the technology to knitwear to permit the automatic sewing of knit parts. Considering the intense import competition faced by American knitwear manufacturers, this development is of major importance in retaining this sector of the apparel industry in the U.S.

Thus, TC^2 has had tangible beneficial results, but the task ahead is still tremendous.

One of the advantages of the new technology is the reduction of production time, which means a reduction of labor costs. A reduction of 10 or 15 percent is well within reach. At the same time, the inventory of fabric in the form of bundles of sewn parts awaiting the next stages of manufacture is greatly reduced. Yet the estimated payback of the technology being developed by TC^2 is just a few years, placing it within the reach of many domestic manufacturers when it becomes commercially available. In short, the cost savings with the new technology can be considerable.

This year's contribution of funds by our Union and the individual firms participating in the program is expected to total some $5 million. TC^2 is seeking a U.S. Government appropriation of $3.35 million to join with these funds. Without this appropriation, we fear completion of the project will be hampered or progress will be slowed down to the point where it might become a nonviable program. After all, the Japanese are spending some $60 million for research and development for its apparel industry, many times what we are able to spend for a similar program in the U.S., yet with the same objectives as ours.

Our Union will have the responsibility, with management's cooperation, for dealing with the robot-related problems of compensation for our members who may be displaced or placing them in other jobs. Our members fully support the work being conducted by TC^2 and are enthusiastic about the potential of the technology being developed. In this way and others, our Union expects to make this industry more competitive and viable, and thus help build a stronger domestic economy. Our members know that domestic jobs can be saved with increased competitiveness. Indeed, we may see substitution of imports with domestic production.

The potential for substantial labor cost savings resulting from the TC^2 technology is so very important because textile and, particularly, apparel production are relatively labor intensive. Labor costs are an important determinant of competitiveness for these products, and there is a wide disparity in labor costs among the major textile and apparel producing countries in the world. Estimates of hourly compensation in the textile mill products and apparel industries for 1984, the latest data available, reflect labor costs as low as 40¢-46¢ per hour in India, 98¢-$1.24 in Korea, and $1.72-$1.94 in Hong Kong -- all major suppliers to the U.S. market. This compared to estimated hourly compensation of $7.45 in the U.S. apparel industry and $8.39 in textile mill products. Even some of the major developed country suppliers of these products to the U.S. market have substantially lower wage costs than the United States.

Estimates of Hourly Compensation in 1984

	Textile Mill Products	Apparel and Other Textile Products
United States	$8.39	$7.45
Germany	$7.27	$6.40
Japan	$4.62	$3.25
United Kingdom	$5.25	$4.53
Mexico	$2.14	N/A
Hong Kong	$1.94	$1.72
Korea	$1.24	$0.98
India	$0.46	$0.40

Source: Based on U.S. Bureau of Labor Statistics and Werner International Management Consultants data.

The increased competitiveness for the U.S. industry afforded by technology such as is being developed by TC^2 can reduce some of the disparity in U.S. and foreign production costs. This is an important element in the overall program to ensure that the U.S. textile and apparel industry will continue to be a viable industry contributing positively to the U.S. economy.

TC^2 IS MORE IMPORTANT THAN EVER WITH THE GROWING PROBLEM FACED BY THE U.S. TEXTILE AND APPAREL INDUSTRY OF COMPETITION FROM IMPORTS

TC^2, with the requested appropriation, takes on even greater importance in light of the growing problem faced by the U.S. textile and apparel industry of competition from imports. Improved competitiveness is a very important answer to this problem but we recognize that it is just part of the solution. We also need effective restraints on imports which disrupt our market.

The textile and apparel industry has been on the firing line of international trade for decades and has borne the brunt, more than those in any other industry, of the tremendous growth in international trade that the world has experienced since World War II. This has occurred despite the existence for more than two decades of multilateral efforts to alleviate the hardships caused by growing imports of textiles and apparel. Conditions in this industry have never been worse and the prospects of its workers, many of whom are our members, have never been bleaker. The U.S. lost some 950,000 manufacturing jobs over the last five years; 300,000 have been in textiles and apparel.

Between 1980 and 1985, U.S. textile/apparel imports increased by 122 percent while growth of the domestic market has averaged no more than about one or one-and-a-half percent per year. Imports reached a new all-time high in 1985 of 10.8 billion square yards equivalent, capturing some 50 percent of our apparel market. Twelve percent -- over $18 billion dollars -- of the nation's unprecedented trade deficit in 1985 of $149 billion was textiles and apparel.

Although textile and apparel imports are subject to the Multifiber Arrangement (MFA), under which the U.S. has some 30 bilateral agreements in force today to restrain imports, it is clear from the tremendous import growth I have just cited that the implementation of the MFA has been ineffective. For that reason, our Union together with the rest of the domestic textile and apparel industry has supported legislation (H.R. 1562) to put into law that which the MFA ostensibly provides. Congress passed this bill last year only to have it vetoed by President Reagan.

In addition, the textile and apparel industry, with strong support and participation by our Union, is also promoting U.S.-made textile and apparel products through the "Crafted With Pride in the U.S.A." program. This is a multi-million dollar effort to impress on the American consumer the vital importance of buying quality goods made in this country.

It is my belief that a strong modernization program such as the TC^2 effort, combined with effective restraints on imports and the promotion of domestically-made texiles and apparel, offer the best hope for the future of the U.S. textile and apparel industry together with the jobs of its workers.

We need to continue our support of the Textile/Clothing Technology Corporation. We in U.S. labor-intensive industries have a strong incentive to invest in labor-saving technology -- such as is being developed by TC^2 -- that the low-wage developing countries have no need for. U.S. labor is not blind to the need for technological advances to assist in bringing down costs and improving our competitiveness. It will save jobs and, indeed, may even create new ones as domestic output, competitively priced, substitutes for some imports. That is why our members are so enthusiastic about the potential of the technology being developed by TC^2.

This effort of the U.S. textile and apparel industry to modernize -- as embodied so well in TC^2 -- needs the continued financial support from the U.S. Government. I urge this Subcommittee to act favorably on the appropriation requested for the Textile/Clothing Technology Corporation.

Mr. **Smith**. Three point thirty-five. How much money would be put in from nonfederal funds?

Mr. **Finley**. Five million dollars. The private sector—that is the industry and the unions—are raising $5 million.

Mr. **Smith**. Who is picking up this $150,000 cut in Gramm-Rudman? How are you going to do that?

Mr. **Finley**. In the sense of making it up, the contracts we are working on with the Draper Laboratories and so on, it will have to delay it. It will cost us a couple months delay, is what it amounts to.

Mr. **Smith**. How many more times do you visualize there will be an appropriation?

Mr. **Finley**. Maybe Mr. Butenhoff, who is with Dupont, may be able to respond to that. He is handling it on behalf of Dupont and this project, and he can add to what I have said.

Mr. **Butenhoff**. I don't think it is forever. We are hopeful that as the machine gets marketed and sold, part of the royalties we will get will go back to this not-for-profit corporation and will generate additional funds to help in the terms of research and development on further programs, and that is really the way we are funded.

We are not working to come every year ad infinitum to the government for $3.35 or any number. We are hoping as this thing gets out in the market and it begins to be sold, the royalties should generate this.

I cannot tell you when it will be—a year or two, Mr. Chairman, but this is not the kind of thing we are talking about that it is good for now; three years we will be back, in 1996, 2006, and so on.

If we are still coming back to you in that period, then we have not done a job and it won't be a success, Mr. Chairman.

Mr. **Smith**. What about the timing? What do you say about it?

Mr. **Butenhoff**. This year's program will lead to the demonstration and the commercialization, full commercialization and sale of equipment by the machinery manufacturer we are working with in the second half of 1987, so that would mean that the first we would begin to see royalties would be late 1987.

Mr. **Smith**. Will it come about rather slowly at first?

Mr. **Butenhoff**. We will start up rather slowly at first. There will be about a half a dozen additional machines sold prior to that time, but a real commercial role out of equipment in the second half of 1987.

These monies will not only see us through that stage, but also broaden the potential applicability for this technology that has been developed into a wider array of garment segments and fabric types, and that is where the real value of this new technology begins to have a major impact on the competitiveness of the U.S. apparel industry.

Mr. **Finley**. May I add one thing to what Mr. Butenhoff said? It is interesting; General Motors has become interested. You wonder why General Motors.

They are a tremendous buyer of fabrics, all of the seats and upholstery, so the potential is for all aspects of the apparel manufacturer, but it goes beyond it.

It goes to home furnishings. It goes to the upholstery that goes into cars and so forth. There is a broad applicability in this sense, besides the apparel.

In other words, the spin-off can be much greater than merely the apparel industry, even though from our industry that, alone, is worthwhile.

Mr. SMITH. Thank you.

Mr. FINLEY. Thank you very much, Mr. Chairman.

Mr. BUTENHOFF. I have just a few other comments, if I could make them.

Mr. SMITH. Go ahead.

Mr. BUTENHOFF. I Peter Butenhoff, program administrator, T.C. Squared, as we affectionately call our corporation, and I am representing James F. Kearns, who is the president of the Textile Clothing Technology Corporation. He couldn't be here today.

He is also group vice-president of Du Pont. I have submitted written testimony for Mr. Kearns.

There were just a few points that I thought really reinforced the importance of this program.

First, as Mr. Finley mentioned, this is the largest industry in terms of employment in the United States, and the importance of the industry to the social and economic fabric of our country is recognized by our government and by Congress.

Second, the continued viability is threatened by imports, as also mentioned, and if the trend of the last five years continues, the domestic apparel industry in the 1990's will only be a mere shadow of what it is today and what it has been.

Third, the industry has not been sitting back, simply asking somebody else to help solve its problems. It has been working aggressively to help itself, and the Textile Clothing Technology Corporation was credited toward that end.

We have received financial support from the Congress and administration and had contributions from all elements of the industry in bringing it forward.

In addition, the industry has been investing very heavily in modernization for many years. Frankly, it has been somewhat easier for the fiber and textile segments to make this investment, because the technology has been more advanced.

As a result, the fiber and fabric segments have improved their productivity by an average of 5.2 and 5 percent, respectively, since the early 1970's.

Despite its technology handicap, the apparel segment has also increased its productivity by only 3.2 percent per year, and that is 50 percent better than the national average in all manufacturing.

I guess my final point then, is that we recognize that in the long run, the only way we can compete successfully as an industry is to offer our customers, the retail stores, a better combination of quality, service, and cost than our overseas competitors can offer.

Let me repeat, those three components are quality, service, and cost. We have quality today and can compete with anybody in the world on quality. The American and textile garment workers are second to none.

As for service, we are now working throughout the industry under the leadership of the Crafted With Pride in USA Council to develop a quick response system that will dramatically reduce retailers' ordering risks and the amount of time that their capital is tied up in inventory.

Without going into any detail, let me explain that today's retailers must order garments from overseas seven months or more before the selling season. The average lead time for placing orders with U.S. manufacturers today is four months.

We, the apparel manufacturers and retailers, are demonstrating linkages and teamwork between the mills, manufacturers and retailers, that can cut that lead time to just two months or even less. These demonstrations, as I say, are underway currently.

As for costs, we continue to invest in productivity gains. Today, labor represents on average 35 percent of the manufacturing costs for a typical piece of apparel. It makes it one of our highest labor content manufactured items in the country.

We demonstrated in two detailed studies undertaken by Du Pont that it is possible for U.S. apparel manufacturers to reduce the labor content and be fully cost competitive with imports when there is technology available to reduce the labor content of the garments.

I think the point that we really want to make here is that this industry need not be considered a sunset industry. It can be fully competitive.

This is the area that, of costs, in terms of costs, in which TC Squared is so important. It is important, because we can do all of these other things involving quality and service, but if we can't also compete in costs, we will always be in trouble.

I mentioned that technology has lagged in apparel making. TC Squared was formed five years ago to fill that technology void by developing the equipment that is needed to bring about a step change in productivity.

To the best of my knowledge, TC Squared is still the only source of basic research aimed at mechanizing apparel manufacturing.

It is not, however, the only such program in the world, as Mr. Finley mentioned. The Japanese and the Europeans have very similar programs that will soon bear fruit. Today TC Squared is showing it first few blossoms. We are negotiating with a major equipment manufacturer.

Moreover, we are also now moving from one phase of our activities in which we set out to solve the most difficult—well, part of the automation challenge—to phase two, in which we will put what we have learned to work in broader market areas, as I mentioned earlier.

Here we think the advances can have the maximum beneficial impact. So, this partnership between government, labor and industry is indeed working. It is gaining momentum, and it is approaching its first season bearing fruit.

But we all must continue to nurture this program, and we will do so in industry and labor, and again ask your commitment, Mr. Chairman, to the $3.35 million for the 1987 Fiscal Year.

Mr. SMITH. Thank you.

[The statement of James F. Kearns follows:]

WRITTEN TESTIMONY OF

JAMES F. KEARNS

GROUP VICE PRESIDENT - TEXTILE FIBERS

E. I. DU PONT DE NEMOURS, INC.

BEFORE THE

SUBCOMMITTEE ON COMMERCE, JUSTICE AND STATE,

THE JUDICIARY AND RELATED AGENCIES

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

MARCH 3, 1986

WRITTEN TESTIMONY OF
JAMES F. KEARNS
GROUP VICE PRESIDENT - TEXTILE FIBERS
E. I. DU PONT DE NEMOURS AND COMPANY

To The
Subcommittee on Commerce, Justice, and State,
the Judiciary and Related Agencies
Committee on Appropriations
U.S. House of Representatives

March 3, 1986

The U.S. Fiber, Textile and Apparel Industry is a $54 Billion business accounting for approximately 2 million jobs. It is the largest employer of any manufacturing industry in the country. However, this large and important industry is threatened for its very existance by a continuing surge of imports of textile and apparel into the U.S. markets. Imports continued their growth in 1985 despite increased efforts by the Administration to enforce negotiated quotas, until today they account for about half of all garments sold in U.S. stores.

Over the long term, the industry clearly understands that continued advances in productivity are required to be competitive and to assure a healthy industry for the nation. In the fiber and textile manufacturing segments, substantial advances in productivity have been achieved. In the period from 1973 through 1983, the fiber industry achieved average annual productivity increases of 5.2 percent. In the same period, the textile industry achieved average annual increases of 5.0 percent. Both of these far exceed the 2.0 percent average productivity growth for all U.S. manufacturing over the same period.

The apparel industry, the final link in the textile chain, has had a more difficult challenge to increase productivity. The garment making process is relatively labor intensive and poses significant technological obstacles to automation. Despite the relative difficulty of automation in apparel making, however, advances have been made and even this segment of our industry has improved productivity significantly above the average for all manufacuturing. In the 1973 to 1983 period, productivity improvement in apparel-making averaged 3.2 percent per year.

Still, the greatest opportunity for improving the cost competitiveness of our industry lies in bringing about a step-change increase in productivity in the apparel-making segment. It is for this reason that I welcome the opportunity to urge approval by this subcommittee of an appropriation of $3.35 million for fiscal year 1987 in support of the Textile/Clothing Technology Corporation $[(TC)^2]$.

$(TC)^2$ is a unique venture with the purpose of creating technology that will allow the modernization and revitalization of the American apparel industry, thus making it more competitive internationally and assuring preservation of this vital core industry. $(TC)^2$ is a not-for-profit corporation, now in its sixth year of operation. It is funded jointly by more than 65 companies representing cotton, wool and man-made fibers, textile and apparel manufacturing, and machinery equipment manufacturing; labor unions; and the Department of Commerce. Total contributions so far have been about 60 percent private and 40 percent public. In short, $(TC)^2$ has been a partnership in the best sense of the word.

The scientists and engineers at the Charles Stark Draper Laboratory where $(TC)^2$ is located are applying space-age technology to the centuries-old process of making garments. The problem to be solved is that making apparel is very labor-intensive. For example, men's tailored suits require from 100 to 150 separate operations. Most are done with simple sewing machines and a great many manual operations. Production is complicated by changes in style, material and size. This situation, given the higher cost of labor in the United States, has left the U.S. apparel industry extremely vulnerable to competition from low-wage countries.

Remarkable progress has been made. Last year, we were able to report that $(TC)^2$ had designed and built a prototype of an automated sewing and material-handling system capable of performing complex tasks in garment manufacturing. Since that time, the first system has been improved to the point at which is is now being installed in the first apparel manufacturing plants to demonstrate what it can do. Additionally, this system is being turned over to a U.S. machinery manufacturer for commercial development under an agreement that will return royalty income to $(TC)^2$ which it can then be reinvest in more research.

However, there is urgent need to accelerate the pace of the R&D effort, to develop more innovations, and to put them into commercial use with all possible speed. The scope of the first phase of this project has been relatively narrow, but the future potential is virtually unlimited. The same basic technology can be applied to systems useful not only in making men's suits and sportcoats, but also in producing shirts, blouses, dresses, pants, military uniforms, hospital gowns and countless other garments. It can be adapted to use with knit garments as well. In short, now that the first important milestones have been reached, much can be achieved by broadening the scope of research and development to apply the technology already developed to other, broader product areas. And that is what we are doing.

However, continued funding is essential to realize the full potential of this technology. Industry management and labor are firmly committed to this endeavor; but the continued support of government is essential. It is for this reason that I urge the support of this Subcommittee for a $3.35 million appropriation in support of $(TC)^2$ for fiscal year 1987. This is the same level of support provided for fiscal year 1986 after the effect of Gramm-Rudman.

The rewards for continuing this support are enormous. Current trends in import penetration suggest that in just five years foreign imports will control from 55 to 60 percent of the U.S. apparel market and that the U.S. will lose an additional 500,000 to 600,000 textile and apparel jobs, or 25 percent of the existing work force. On this basis, I believe the $3.35 million appropriation can be considered an investment of about $7 per job.

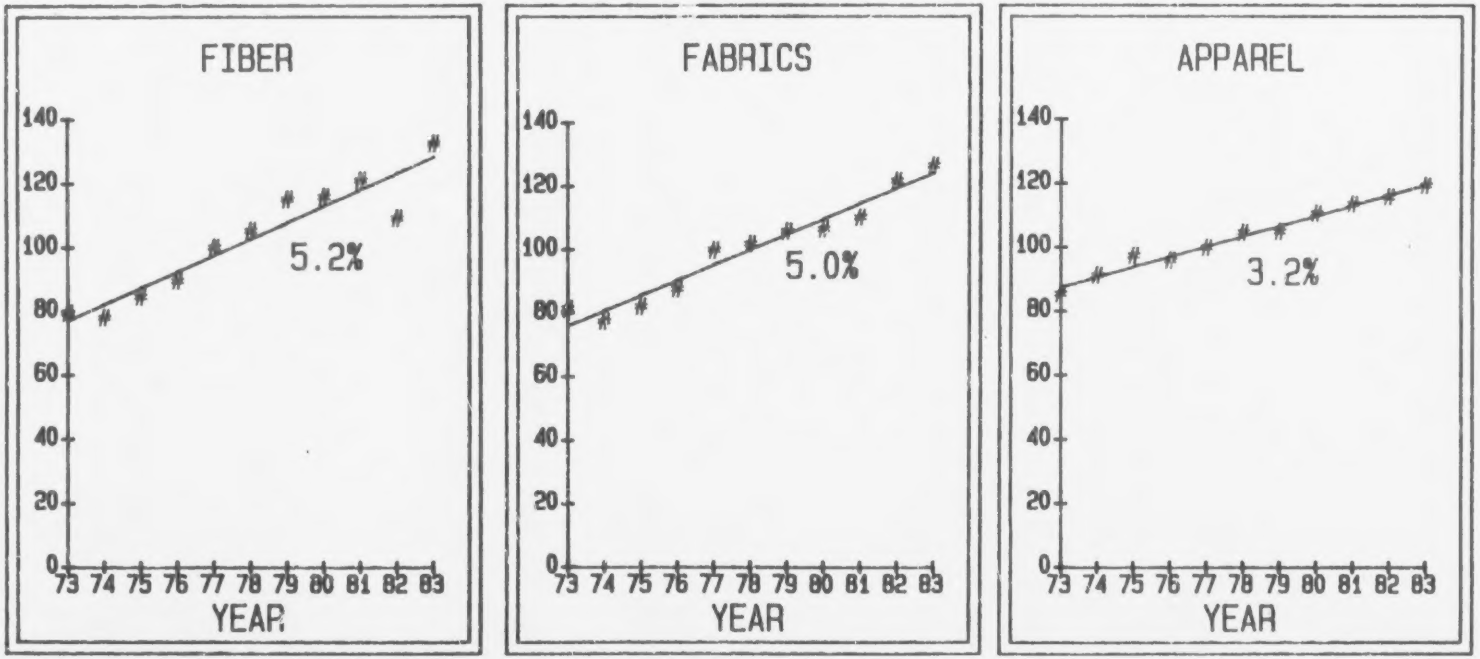
It should be noted also that we are not alone in this effort to modernize the apparel industry. Powerful competition exists in Japan and in Europe to develop high technology apparel automation systems.

The stake for our U.S. industry, our U.S. workers, and for our country is clear. We know what has to be done and we understand our competition. Success requires the continued participation of the government and needs the approval of this Subcommittee.

James F. Kearns
Group Vice President
Textile Fibers
The Du Pont Company
Wilmington, Delaware
19898

ATTACHMENTS:
1. Chart: Productivity Gains
2. Chart: Apparel Cost Comparison
3. Chart: Labor Content Sensitivity Analysis

PRODUCTIVITY GAINS
OUTPUT PER HOUR

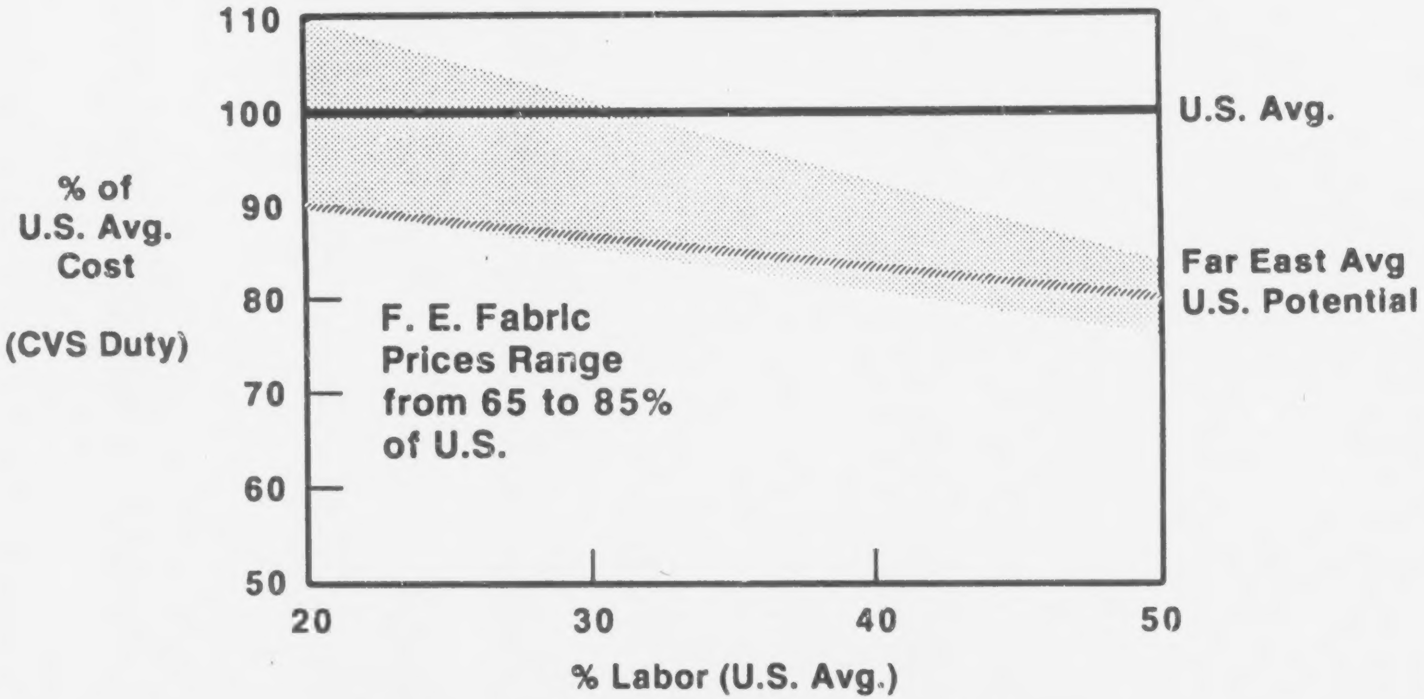


Sources: BLS and American Productivity Center.

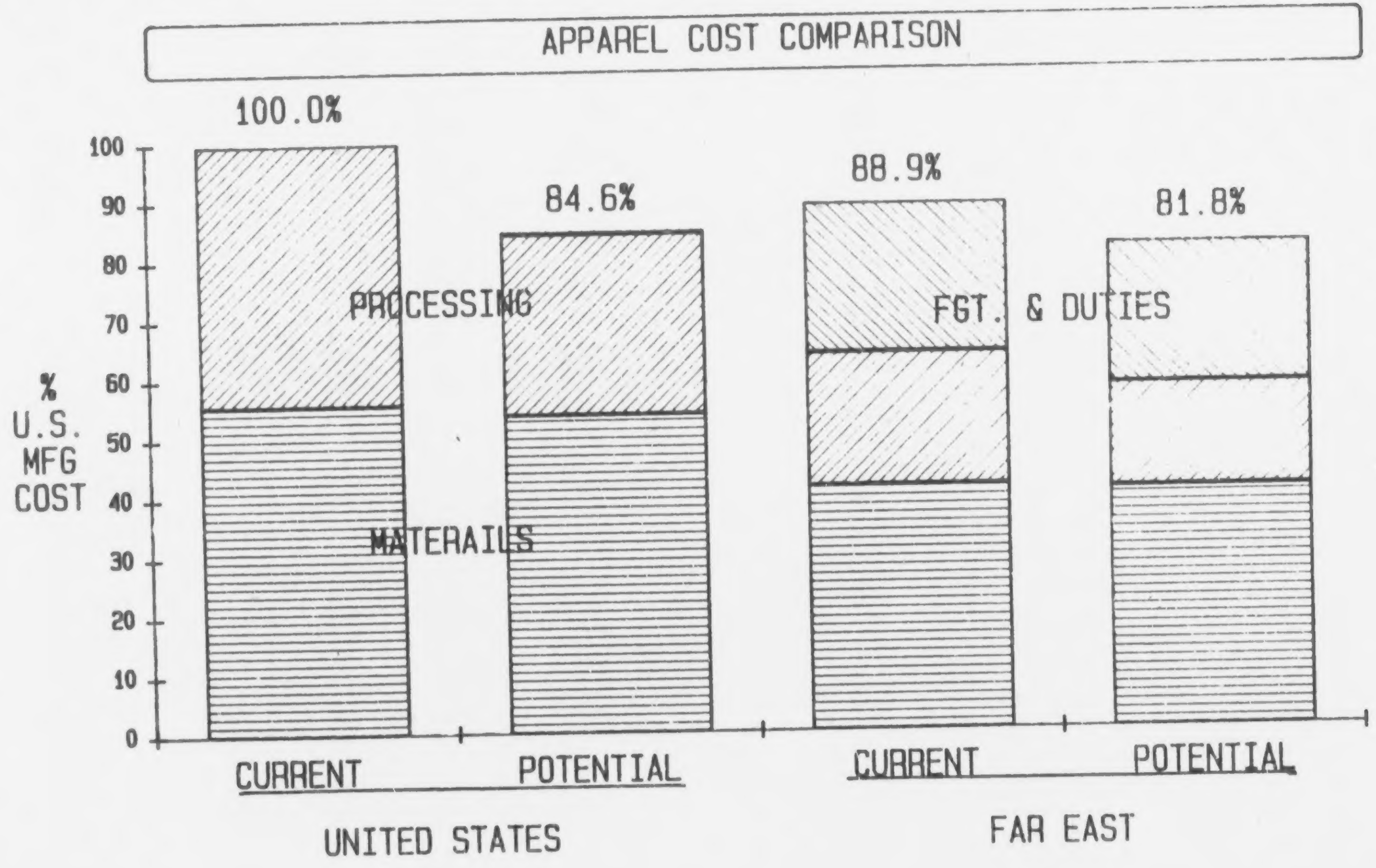
ALL MANUFACTURING = 2.0%/year

PEB 4/12/85

Labor Content Sensitivity Analysis



- Jeans
- Pajamas
- Basic prod. with expensive fabric
- Basic shirts
- Basic blouses
- Basic slacks
- Bras
- Basic prod. with extra pockets, flaps, collars, gathers, etc.


APPAREL COST COMPARISON
%
U.S.
MFG
COST
100
90
80
70
60
50
40
30
20
10
0
100.0%
84.6%
88.9%
81.8%
PROCESSING
MATERAILS
FGT. & DUTIES
CURRENT
POTENTIAL
UNITED STATES
CURRENT
POTENTIAL
FAR EAST

The Technology Management Center

THE USE OF ADVANCED MANUFACTURING TECHNOLOGY IN INDUSTRIES IMPACTED BY IMPORT COMPETITION: AN ANALYSIS OF THREE PENNSYLVANIA INDUSTRIES

(Executive Summary)

Prepared By:

TECHNOLOGY MANAGEMENT CENTER

Council for Labor & Industry
Philadelphia, Pennsylvania
October, 1985

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Our thanks also to Finch Robotics, Montgomeryville, Pennsylvania for their help in developing the technology audit concept and to Diane Paszkowski for her work on state technology programs.

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EXECUTIVE SUMMARY & CONCLUSIONS

U.S. industry is not meeting the challenge being set by foreign manufacturers. Competition from abroad has been growing over the past decade and significant import penetration has affected not only basic industries, but the high-tech sector of the economy as well. Many economists and industry experts have blamed the rising trade deficits on such factors as the strength of the U.S. dollar, low labor rates overseas, unfair trade practices of foreign governments and domestic policies which have been insensitive to the needs of U.S. industry. While these issues have contributed to our present situation, relatively little attention has focused on how manufacturers in this country have prepared themselves to meet the challenge from abroad.

In the manufacturing sector, there are indications that U.S. companies are allowing the initiative to be taken by foreign manufacturers. And by looking to government to resolve the problem of imports they are in danger of losing control of their future.

One element which has been shown by many U.S. companies to be effective in maintaining competitiveness with other industrialized nations has been the use of advanced technologies in the manufacturing process. Technologies such as numerical control equipment, computer-aided design, and robotics have been proven to increase productivity, reduce costs and improve product quality. A wide range of advanced manufacturing technologies are presently available to help companies compete more effectively.

To understand how these technologies are being used by industries hurt by import competition, this project was commissioned by the Office of Trade Adjustment Assistance, International Trade Administration, U.S. Department of Commerce. The effort was also supported by the Advanced Technology Center of Southeastern Pennsylvania through Ben Franklin Partnership funds and the City of Philadelphia Department of Commerce.

The project looked at the application of advanced technologies and examined the role that these technologies play in the competitiveness of three industries impacted by import competition. It was conducted in the Commonwealth of Pennsylvania and examined the machine tool (SIC 3541,2,4), electronic components (SIC 3679) and medical devices (SIC 3841,2) industries. These were selected based on an analysis of 68 import impacted industries and reflect both basic and high tech industries which have been affected by foreign competition to varying degrees. Conclusions are based both on secondary research as well as a survey of 90 Pennsylvania manufacturers, including on-site technology assessments for 42 companies. Industry trade associations played a valuable role in the conduct of the project. A second element of the project, was the development of a program to assist companies in implementing the new technologies.

The major finding of the project is that in a majority of cases U.S. manufacturers have ignored the argument that new technologies produce higher quality products faster and cheaper and have hesitated to adopt modern manufacturing techniques. For all the publicity and advertising dollars spent in promoting these new processes, companies are puzzled about their use and their benefits. For the most part, only very large corporations are implementing some of the advanced manufacturing technologies and even they are proceeding at a slower-than-anticipated pace.

The problem is not one of the availability of technology. In fact, the technologies presently available appear to be far ahead of the ability of U.S. industry to implement. Rather, it primarily concerns a human element - introducing people to new systems. One major finding is that management is confused by and generally not knowledgeable about advanced manufacturing technologies, their advantages and capabilities. As a result they are ill-prepared to implement them effectively even when these technologies are acquired. Compounding the problem is also the traditional organizational resistance to change.

Our foreign competitors, particularly Japan, appear to be using more of these technologies and appear to be more willing to adopt advanced processes in their production systems. By concentrating on yields, quality and delivery times, industry analysts indicate that the United States and Western Europe are looking at yesterday's solutions to manufacturing problems. The Japanese have essentially resolved these issues and are now moving to computerized production control. In this respect the Japanese also appear to have the advantage in that most of their computer based manufacturing technologies use compatible controls, while U.S. companies attempting to automate struggle to interface equipment developed by a variety of manufacturers using their own computer controls.

The use of new production technologies by many companies is an important element in maintaining competitiveness. In the United States, manufacturing still contributes nearly 50 percent of the gross national product, but many manufacturers are simply not able to compete effectively because they are not aware of the tools required to survive in today's global marketplace. This is particularly true for small- and medium-sized companies, which are an integral part of the economy and supply many of the key parts and components used by multinational corporations.

If the United States intends to remain a first-class manufacturing power, its manufacturing base must produce products that are internationally competitive in both price and quality. Both industry and government should recognize that in many instances the use of advanced technologies is a prerequisite for continued competitiveness. However, unless greater efforts are made to encourage industry to implement technologies which are readily available, mass production as well as batch manufacturers will continue to suffer from ever-increasing levels of import competition.

CONCLUSIONS

There is no secret to the existence of modern manufacturing techniques and the competitive edge will inevitably belong to those who apply them effectively; conversely, those who do not apply them will just as inevitably be placed at a competitive disadvantage. Industry experts claim that technology can account for as much as a 60 percent productivity increase. However, the new technologies should no longer just be seen strictly as a replacement for labor. For an increasing number of firms today materials constitutes the major production cost.

Today's advanced process technologies are different from traditional manufacturing techniques. Computerization has created a revolution in manufacturing. It has opened up opportunities companies can seize, but which also require management to think differently, be more flexible, and be openminded to a new set of situations and methods of doing things. These technologies, though they can provide great benefits, are often complex and complicated to use. Above all they are not "quick fixes" for manufacturing bottlenecks or problems.

In essence, the new technologies are only a tool, a computer-aided way to do the things always recognized as necessary to run an efficient factory. If management is not running an effective factory, no amount of computer automation is going to help. If the industrial engineering is sloppy, if the standards are loose, if the layout is poor, if the production planning and control systems are not up to the standards of today's best practices, if the product designs are inefficient - then simply computerizing the manufacturing process is unlikely to help substantially.

Though the primary data for this project was obtained from manufacturers in Pennsylvania, the sample was characteristic of the industries examined. Discussions with industry experts indicate that the following conclusions to the project are representative of U.S. industry.

I. U.S. industry is using very little of today's advanced manufacturing technologies, a circumstance which has affected the ability of some industries to compete effectively with overseas competitors.

This is especially distressing when one considers that the vast majority of these technologies were developed in the U.S. More importantly, the evidence indicates that the U.S. lags far behind Japan in the implementation of many of these technologies, particularly NC equipment, robotics, and FMS. This is regarded as a major factor in the inability of many of our industries to compete effectively with the Japanese. Leading analysts of the Japanese market, in fact, state that the utilization of mass production technologies is that nation's strongest suit.

There is little data available comparing usage of technology in the U.S. with Western Europe. However, while it appears that the U.S. has made greater strides in implementing computer-based information technologies, there are indications that some Western European nations may be slightly ahead in their use of "hard" production technologies such as robotics and FMS, when considered relative to the size of their industries.

If this process continues it will pose a serious threat to the international competitiveness of U.S. industries involved in batch as well as mass production of manufactured goods. The use of modern technologies by foreign producers has already played a role in the competitiveness of U.S. process industries such as steel, and mass production industries such as automobiles, and now endanger batch manufacturers which account for some 50-75 percent of all U.S. manufactured products. One need only refer to our growing negative balance of trade for evidence of this development.

U.S. industry has generally been driven to create new product technologies, rather than use new technologies to manufacture products more efficiently, perhaps because creating something new has been the short-term path to greater rewards. There are far too many instances of prototypes being developed in the U.S. and manufactured elsewhere because this nation did not master production techniques. Often, the need to upgrade technologically, rather than just replace broken or worn-out machines, has not even been acknowledged by domestic manufacturers. As a result, Japan's long-term, production-oriented view is paying off for them.

Unless U.S. manufacturers begin implementing more of the process technologies available to them and taking control of their own destinies - as are their overseas competitors - the inescapable result will be the continued decline of U.S. manufacturing and a further loss of manufacturing jobs.

II. Today's advanced manufacturing technologies are often complex and not easy to implement.

Just because there are a number of new available manufacturing technologies does not mean that they are easy to use. New computer based technologies used in the manufacturing process are becoming increasingly sophisticated and often require a high degree of engineering and scientific expertise to implement effectively. In fact, the technologies presently available appear to be way ahead of the ability of U.S. manufacturers to absorb.

Even for simple stand-alone CNC machines, there appears to be a gap between what vendors are selling and what users can readily adopt. Distributors of this equipment indicate that firms have difficulties using these machines because the operators assigned to them do not have the basic mathematical skills required. This is particularly the case in small- and-medium sized companies.

Despite the marketing rhetoric used by equipment manufacturers, the introduction of new technologies in a plant is also often a difficult process, which does not take place overnight and requires commitment and dedication on the part of management. More often than not several months will pass before productivity improvements resulting from the use of technology will be noticed, and many firms report that in fact productivity decreases may occur during the implementation period. Technologies such as MRP may take two years simply to implement.

III. The U.S. machine tool industry uses very low levels of technology in its production process and this has significantly affected their ability to effectively compete internationally.

This is particularly ironic because the machine tool industry actually manufactures much of the equipment which could make it more competitive. Japanese machine tool makers, which constitute the major competition for U.S. manufacturers, continuously upgrade their manufacturing facilities by using new technologies to improve the quality of their products while reducing costs.

The machine tool industry is of particular importance to U.S. manufacturing, and the economy, because the industry manufactures the machines from which most other capital equipment is built. In addition, there have also been indications that a healthy domestic machine tool industry is important to the national defense, and the loss of a viable domestic machine tool industry would therefore affect our nation's basic strength.

To begin regaining competitiveness, a vast modernization program is required throughout the industry. The use of flexible manufacturing, with its high potential for increased responsiveness to orders, higher quality, and reduced costs, can virtually eliminate the problems caused by the extreme cyclicality of the machine tool market. Both "hard" and "soft" computer related technologies can benefit the industry. While some individual companies are improving their facilities, there is little indication that this process is becoming widespread. This had led many U.S. manufacturers to become increasingly involved in joint ventures with, or act as distributors for, foreign machine tool companies.

Industry experts note that U.S. machine tool manufacturers in many instances make greater profits by acting as distributors and selling foreign tools than manufacturing machines. If this is indeed the situation, prospects for making the investment required to modernize plant and equipment would appear unlikely, and the demise of the U.S. machine tool industry will continue.

IV. The electronic components and medical devices industries use very little of today's modern manufacturing techniques. However, this has not yet been a detriment in competing with foreign competitors.

Neither of these two industries has been impacted by imports as severely as the machine tool industry. While using new technologies would generally improve the productivity of firms in both industries and help them to compete more effectively in domestic markets, the low use of technology has not played a significant role in international competition.

What import competition the electronic components industry has faced has been primarily indirect. That is, the components they manufacture are already included in imported finished products. It appears that a primary reason for this competition is the lower wage rates overseas rather than the use of advanced process technologies by foreign competitors.

In terms of the domestic market, many of the firms in this industry will have to improve their use of technology if they expect to remain competitive in the long term. As end products become more technologically sophisticated, the components that are included in products must be of equally higher quality. Therefore, unless manufacturers of electronic components begin using newer technologies, they will not be able to produce parts at low enough costs and with the close tolerances required by their customers and, as a result, will cease to be viable companies. Should this upgrading not occur, and suppliers become unable to meet the needs of their customers, there is always the possibility that foreign companies could replace the domestic suppliers.

Regarding the medical devices industry, import competition has occurred in a number of products primarily as a result of lower wages payed abroad which no amount of technology can overcome. While it appears that the influence of the Food and Drug Administration has curtailed the importation of greater numbers of medical devices into the U.S., there is no guarantee this will continue in the future for individual product lines. More importantly, new government regulations in the domestic marketplace, designed to restrict the cost of health care, will place additional burdens on companies to reduce their production costs. Those that do not use the most effective production techniques to contain costs could be severely affected as a result of these new guidelines.

V. In instances where new manufacturing technologies have been implemented by industry, they have far too often been applied inefficiently. As a result potential productivity gains have not been realized.

Inefficient use of new technologies has usually resulted because, for the most part, they have been acquired without regard to their role in an overall manufacturing strategy. Unlike marketing or financial plans which most companies generate annually, less than 10 percent of the firms surveyed had developed a plan for the acquisition or use of computers or technology in their companies. This lack of planning has created "islands of automation," sophisticated technologies acquired at random, scattered on shop floors with little regard to their role in producing a better product. This has done little to increase the competitiveness of firms and in many instances has in fact created problems which have had a negative impact on productivity.

In addition, as opposed to the Japanese producers who have a reputation for exquisite execution and use advanced technologies and techniques to strive for their goal of manufacturing products with zero defects, U.S. manufacturers are apparently willing to settle for somewhat less than the best. Far too often, using many of the same technologies as their overseas competitors, U.S. companies are happy to settle for marginal improvements over their previous production techniques without exploring or extending their equipment to its full capabilities.

VI. Although the acquisition of new technologies is a capital investment decision and financing can often be a problem, the major reasons companies do not use advanced manufacturing technologies is because they do not understand them, find them too confusing, and are intimidated by them.

Throughout our project, the most common excuse used by companies for not using advanced manufacturing technologies was that they were too expensive. Further research, however, indicated that manufacturers were not using them more extensively because they did not understand their advantages and benefits and were generally fearful of computer-based manufacturing techniques.

This situation is compounded by the large number of technologies on the market and the increasing number of competing equipment manufacturers. Presently, there are dozens of vendors marketing NC equipment or CAD software, for example, and their products are essentially indistinguishable. This alone is enough to cause confusion, particularly when the market consists of engineers and managers schooled before the development of many of these technologies who are reluctant to move away from their "tried and true" methods.

Not only are these individuals under educated about new production methods but they also tend to consider technology an adversary rather than an ally in the manufacturing process. Firms often appear fearful and in awe of the control that production technologies can exert. One machine tool operator in referring to CNC noted, "In the old days I used to tell the machine what to do, now it is the opposite."

Other major reasons why companies do not use more of these technologies are:

a. U.S. industry tends to be overly concerned with short term results and returns. Investment in technology does not produce immediate returns and should be considered a long term investment. Thus it is often difficult for companies to justify automated equipment using traditional payback formulas.

Companies surveyed generally required a 2-3 year payback period, whereas Japanese firms do not generally place inflexible requirements when investing in new technologies. As a result, the use of new technologies by many U.S. companies is considered a risk rather than an investment.

b. The inability of many smaller manufacturers to obtain financing for new equipment whose benefits they do not fully understand and the reluctance of financial institutions to provide loans for technologies which on the surface do not appear to meet traditional ROI requirements.

c. Manufacturers of the technologies have been unable to convince small companies of the effectiveness of their products. This is partly due to the complexity of some of the technologies and their ramifications within a firm, but it is also a result of the failure of many vendors and distributors themselves to fully comprehend the impact of modern techniques. Many of these salesmen as well as the parties they sell to have been trained in traditional manufacturing methods, and are often unable to adequately explain to manufacturing companies the best method of applying or integrating these technologies into the manufacturing process.

VII. The use of higher levels of more sophisticated manufacturing technologies will not necessarily make a company more competitive.

To be effective and to provide the maximum benefits, the correct or appropriate technology should be used by companies for particular operations. Simply using more advanced manufacturing technology will not necessarily improve a company's productivity or increase its competitiveness. The appropriateness of a technology application depends primarily on the type and volume of products manufactured, the markets served and the companies overall goals and objectives. As a result computer integrated manufacturing probably should not be the goal of every company.

Our survey pointed out, however, that while there was no apparent correlation between the use of technology and the profitability of a company, those companies which reported higher sales and lower manufacturing costs over the past 5 years were using much higher levels of technology than the average.

VIII. Despite evidence to the contrary, a large number of small- and medium-sized manufacturers perceive themselves as using advanced manufacturing and state of the art technologies.

This issue was brought to our attention by companies that turned down the initial offer to be part of this project. The largest number said they were either not interested because they had all the technology they required or because their techniques were proprietary (an unlikely development in the industries investigated). This attitude was also evidenced by companies requiring confidentiality agreements prior to entering the plant because of a fear that we would steal their proprietary manufacturing processes and technologies. Ironically, these companies showed some of the lowest levels of technology usage.

The issue was further reinforced by the responses of companies during our visits. In some firms the perception was that if they were using a computer they were part of the automation age. Some companies boasted of a 64K computer purchased five years ago, or a customized piece of "automation" equipment they had built out of spare parts. Others believed that manually counting the number of parts in their storeroom twice annually and entering this data into their computer constituted a computerized inventory control system or MRP.

This attitude, we believe, is a reflection of naivete on the part of the management of these firms. Several experts in the field of technology, however, have expressed the view that far too often U.S. industry manifests an arrogant "know it all attitude" concerning new techniques which prevents it from making the commitment to the new systems that are needed to compete successfully.

IX. Small and medium sized manufacturers do not appear to be aware of the fact that they are competing in a global market.

For many of the companies visited, the concept of import competition came as a shock. For them, competition exists on a domestic level; they do not fully comprehend that they are part of an international marketplace and that someone in Taiwan or Italy might be manufacturing the same product at a lower cost, and with better quality. When these companies do feel the effects of import competition, they tend to look to the government for relief, citing the strong dollar, low wage rates being payed abroad, or unfair foreign trade practices, rather than looking for ways to improve their own production practices. There is no industry, from our experience, which feels that it might be affected by imports in the future and is taking some anticipatory action to prevent this.

X. In developing a program to help companies use advanced manufacturing technologies, there are no readily available criteria to determine those firms more likely to implement advanced technologies.

The Center's survey, which primarily included small and medium-sized businesses ranging in size from $500,000 to $50 million in sales, found no discernible patterns as to which companies were more likely to be receptive to implementing new technologies. Some observations which may shed some light on the types of firms more willing to adopt new manufacturing technologies, however, can be made as a result of the audits conducted.

In general, the Center found those firms with fewer than 50 employees and being run by the founder, or by older management, to be less likely to be interested in investing in computers or other technologies. Management in these firms were entrenched in conducting business in a particular way and were not looking to change, particularly since many of the businesses would likely be sold or closed when current management retired. In strategic terms these companies had no long term objectives, therefore there was no reason to invest for the future.

In cases where management displayed some curiosity, they had little opportunity to investigate alternative manufacturing techniques. For the most part they were preoccupied with the daily problems of getting their product out the door and had extremely limited in-house engineering capabilities available to look at new technologies. For many the acquisition of a PC for front office and accounting functions was considered a quantum leap into the age of technology. Interestingly, there were also a number of well run, profitable concerns that were simply not interested in growing any larger than a $250,000 - $500,000 level, turned business away, and were not interested in investing in new processes.

There were, however, three distinct exceptions to this pattern. The first of these concerned companies being run by the sons of the original owners or by young management. These individuals appeared to be much more interested in introducing new technologies that could help the firm in the long run. The second exception pertained to the tool & die industry, were we observed that there were a number of young engineers starting or taking over businesses, and acquiring state of the art technologies such as CNC machining centers, lasers, EDM and CAD. Interestingly these engineering entrepreneurs were forsaking the use of computers for front office functions as not being important to the operation of their businesses. The third exception, where management was very interested in a new technology, occurred in instances when there was an easily identifiable market niche that a company could fill by using new techniques to manufacture a particular product.

The one common element in these companies was a management interested in future growth and development of the firm. Particularly intriguing was the fact that for these companies the financing of new technologies did not loom as an overwhelming problem. They somehow managed to make the necessary investment, in some instances even where they had to give up part of their pay to invest in a technology they felt was needed.

Larger companies, particularly publicly owned firms, were generally hampered in the acquisition of new technologies because all investment decisions were scrutinized for short term returns. Unless a particular technology was easily justifiable, or the president of the company was behind a project, the investment was not likely to be approved. Some firms also indicated that investment tax credits, enacted to encourage capital investment, were considered to be "accounting techniques" and often did not translate into new technologies on the shop floor.

A final observation from our survey is that the firms that appeared to be most affected by not using technology were privately owned, medium-sized companies averaging approximately 130 employees, primarily in the metal working industries. These firms had neither the economies of scale required to invest in advanced technologies and compete with large manufacturers, nor could they effectively compete with smaller firms which had specific market niches. As a result, those firms, which were often very labor intensive, needed the greatest amount of assistance in implementing modern manufacturing techniques if they are to survive.

As a concluding note, the present nature of manufacturing and the new technologies are increasingly blurring the distinctions among SIC codes as well as among high and low-tech industries. For example, during our survey we found companies included in the medical devices SIC codes manufacturing electronic products, as well as tool and die shops producing medical devices and electronic components. As a result, classifying certain types of companies in particular industries is becoming increasingly difficult and new classification systems will have to be found to reflect these changes.

These new classifications will also have to reflect the increasing use of technologies such as lasers, which are used as both process and product technologies. Additionally, many metalworking industries, which had traditionally been classified as low-tech industries, are, with the increasing use of CNC, robotics and other computer related technologies, becoming high-tech industries.

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INDUSTRYWEEK

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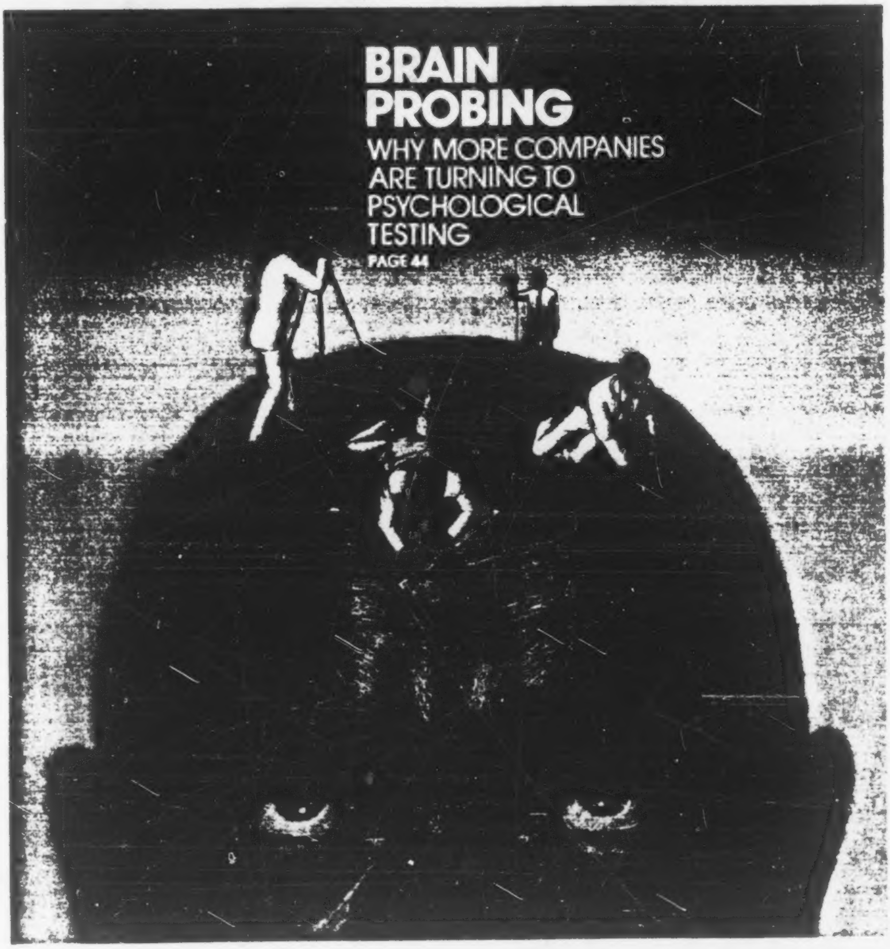

BRAIN PROBING

WHY MORE COMPANIES ARE TURNING TO PSYCHOLOGICAL TESTING

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EDITORIAL

Management, not technology, is the problem

"The U. S. is in danger of losing its technological edge." That warning has been parroted so often you'd think it's a truism.

It's not. The problem is not the lack, but rather the overabundance, of technology. More precisely, it's management's inability—and too often its unwillingness—to take advantage of the technologically advanced equipment being developed.

"Management is confused by and generally not knowledgeable about advanced manufacturing technologies, their advantages and capabilities. As a result, they are ill-prepared to implement them effectively even when these technologies are acquired," concludes Jacques Koppel at the Technology Management Center in Philadelphia. He headed up a study—funded by the Commerce Dept.'s Office of Trade Adjustment Assistance and the Ben Franklin Partnership program in Pennsylvania—to determine how effectively new technologies were being employed to improve quality and boost productivity in combating foreign competition.

His findings: "Companies are avoiding their use primarily because they do not understand them, find them too confusing, and are intimidated by them." Another conclusion: Even though experts agree that employing new technology can boost productivity by up to 60%, "in a majority of cases, U. S. manufacturers have ignored the argument that new technologies produce higher quality products, faster and cheaper."

As pervasive as the rush to new technologies appears to be, a high degree of naivete exists. Too many see them only as a way to cut labor costs. One plant was described as being in the automation age because it had a robot connected to a 30-year-old press, Mr. Koppel said.

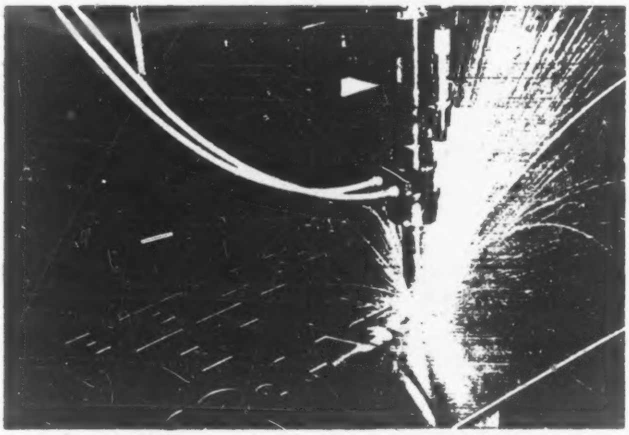
The survey shows that less than 10% of the firms studied had developed a strategy for implementing computers or technologically advanced equipment. In fact, Mr. Koppel points out, 59% of the firms seemed oblivious to the competitive problems that imports cause, even though the industries profiled—machine tools, electronic components, and medical devices—have been heavily hit by foreign competition.

Management's nonchalance regarding the utilization of new technologies is difficult to understand. Although the study couldn't document any correlation between the use of technology and profitability, it did find that ". . . companies which reported higher sales and lower manufacturing costs over the last five years were using much higher levels of technology than the average." In addition, it arms critics against industry's demands that the government provide relief from many of the external factors—tax policies, an overvalued dollar, unfair trade practices—that are negatively impacting on its ability to combat foreign competition.

Stanley J. Modic
EDITOR

MANUFACTURING

PUTTING EXOTIC TECHNOLOGY TO WORK



Lasers are now used in a variety of metal-fabricating operations.

By THOMAS M. ROHAN

Exotic technology may be the hope of the future for U.S. manufacturing. But only a small fraction of the technology now available has made the leap from the lab to the factory floor. ■ At last fall's Machine Tool Research Forum, Eric Kline, manager of machine technology, research, and development at Cincinnati Milacron Inc., reported that his firm had conducted a six-month search for new technology and found an abundance of technical solutions looking for problems. ■ One thing that most exotic technologies have in common is that they are uncommonly expensive. And, like all new technologies, they don't offer the promise of a quick fix, a fast return on investment—or even a sure-fire solution. ■ In a recent survey the Technology Management Center (TMC), Philadelphia, concluded that only the very large corporations are implementing some advanced technologies—and even those firms are moving at a slower than anticipated pace. The survey covered 100 Pennsylvania plants that make medical equipment, electronic products, and machine tools.

Naive attitudes on the part of management at smaller firms often retard wider adoption of state-of-the-art methods. The TMC researchers made on-site visits and discovered that "in some firms the perception was that if they were using a computer they were part of the automation age. Some companies boasted of a 64K microcomputer purchased five years ago—or a customized piece of automation equipment they had built out of spare parts," they reported.

"Others believed that manually counting the number of parts in their storerooms twice annually and entering these data into their computer constituted a computerized inventory-control system or MRP," the TMC report noted.

In many cases, it added, executives didn't seem to understand the benefits of new technology or were intimidated by it. They were almost totally preoccupied with daily production problems.

Nevertheless, some exotic technologies are gaining acceptance. In some cases, it's brand-new technology fresh from the laboratory. In others, it's a matter of adapting existing capabilities—lasers and robotics, for example—to new uses. Here are selected examples.

MODERN 'ABSENTEE' MANAGEMENT

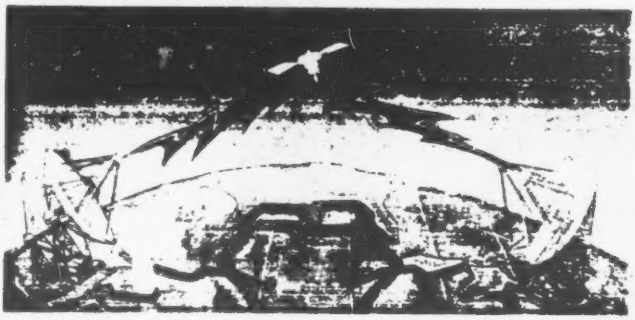


Illustration: Danielle Chumecky

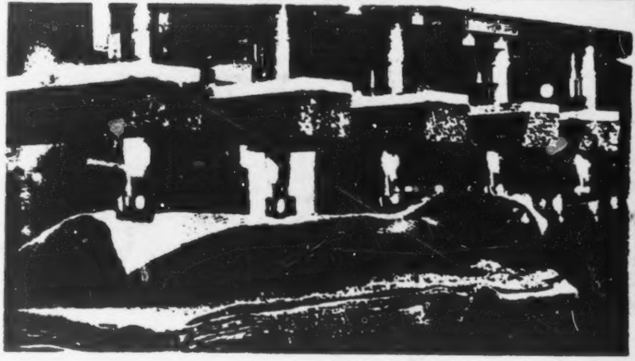
Satellite communications makes it possible to manage faraway plants by "remote control."

▲ One of today's most sophisticated applications of technology in a manufacturing setting enables Intel Corp. to operate an offshore facility by "remote control." Its four-plant complex in Puerto Rico is now controlled from headquarters in Santa Clara, Calif., with the help of a newly completed satellite system.

Assemblers in Puerto Rico refer to video display terminals at their workstations for instructions—and also to report completed units. They assemble—it's called "stuffing"—process control boards and microcomputers. The Litton Systems material-handling system, warehouse, and shipping department are also controlled by satellite signal.

The success of the system has persuaded Intel to install another satellite hookup to control and monitor plants in South Korea, Manila, and Taiwan. From California, managers will be able to instantaneously check the status of every unit in production at any offshore plant.

TEXTILES FIGHT BACK

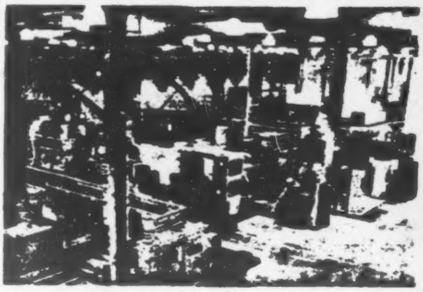


▲ One of the first U.S. industries heavily impacted by imports, textilemakers are now incubating sophisticated technology to reduce costs and improve competitiveness.

For example, at Charles Stark Draper Laboratories in Cambridge, Mass., a research team is developing a prototype robot sewing machine with vision capability. The project is headed by Frederick H. Abernathy, president of Textile/Clothing Technology Corp., who is on leave from Harvard University. Development financing has been provided by the National Science Foundation and 66 textile and clothing companies.

The robot sewing machine initially will sew right and left arms for men's suits and manipulate the cloth in between the sewing stages. By changing the software, style, shape, and other characteristics can be adjusted with little human intervention. Later phases of the project will develop software to control the production of trousers and other types of clothing—to reduce labor content, storage time, and in-process inventory.

CUTTING THINNER MISSILES



▲ Many of the latest manufacturing breakthroughs have been spinoffs from the production of instruments of war. At McDonnell Douglas Corp. in St. Louis, two new machine tools are cutting Navy missile casings to unprecedented thinness and accuracy.

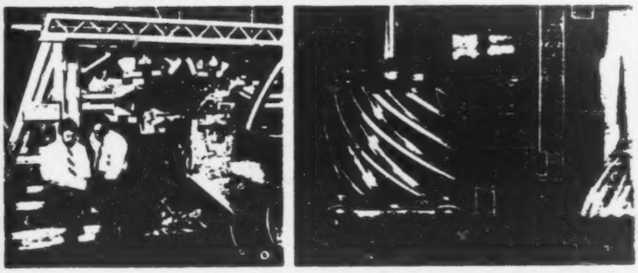
An unattended flexible machining system consisting of a Giddings & Lewis vertical turning center and a horizontal boring mill are making six different aluminum and steel missile parts. They trim extruded tubing to .375 in. and drill holes to .0034 in. true position accuracy. The two machines replace 21 conventional machines and reduce total processing time from about 100 days to 30 days.

'BLACK BOX TRANSLATOR'

■ An enduring problem in computer-controlled manufacturing is that islands of automation have been unable to talk to each other. At one General Motors auto assembly plant, for example, a supervisor has to watch seven video terminals in order to monitor seven independent local factory networks.

But a new black box—called a "secondary adapter"—solves the need for "connectivity" among previously incompatible factory-floor devices including robots, computer numerical-control machines, programmable logic controllers, and instrumentation, reports Texas Instruments Inc.'s Industrial Systems Div., Johnson City, Tenn. The adapter is the first industrial offering in TI's series of "UNILINK" networking products. It "provides connectivity without requiring a lot of costly custom software," says Kenneth Spenser, the division's network business manager.

PRECISION BODY CHECKING



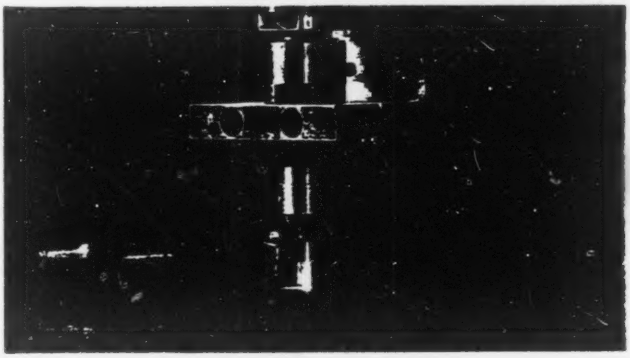
Left: *GM technicians Jeffrey Norr and Thess Nicholson compare notes on the Lansing plant's laser "body checker."* **Right:** *Diffracto's laser systems also detect flaws in transmission gears.*

▲ A laser's ability to make precise measurements at unprecedented speeds—without physical contact—is ushering in the automation of a range of manufacturing operations. Measurements can be made automatically and the results, in digital form, can be fed into computers.

At General Motors' Lansing, Mich., Buick-Oldsmobile-Cadillac plant a laser "body checker" has been installed on the production line which operates at speeds exceeding 50 units an hour. The checker has 58 lasers (each equipped with a sensor) and these lasers create an infrared "sheet" of light. As the car body or body parts pass through the light, they are measured and the data are compared against established standards. Eventually, the data will be fed into a closed-loop computer system and, when deviations in alignment are detected, fabrication adjustments will be made automatically.

The system was installed by Diffracto Ltd., Windsor, Ont., which has shipped five units (about $1 million each) and has orders for 21 more. Other laser units are at work checking transmission gears (tooth by tooth), dies, molds, and a variety of contoured surfaces.

WET JIGSAW



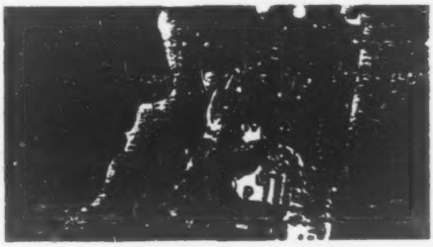
▲ Water-jet cutting applications are increasing at a rate of about 25% a year due to the proliferation of materials like advanced composites. The primary virtue of water systems, which often include a robot, is that they don't clog up the way a saw blade does. Moreover, they can cut contoured shapes and don't cause the workpiece to overheat.

Acme-Cleveland Corp., Cleveland, and other machine-tool builders have added abrasives to the water to enable the high-pressure jets to cut armored tank plate in complex patterns, and much more cleanly than with acetylene or plasma torches. (With water emerging from synthetic sapphire nozzles at pressures of more than 50,000 lb/sq in., the nozzles erode in about 200 hours.) The cost for a robotic system may be as much as $500,000.

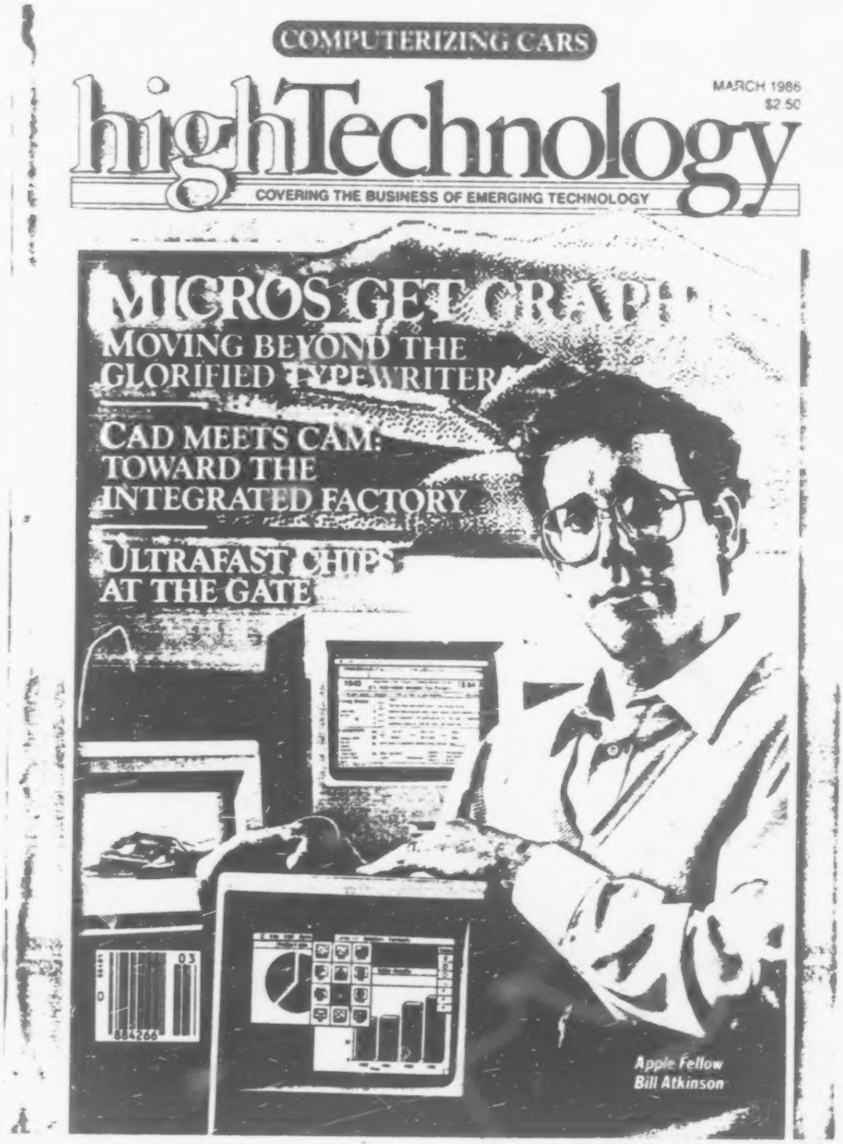
ZAPPING THE GLUE

▼ One application of anaerobic chemistry, taking advantage of the ability of an adhesive to cure in the absence of air, has been around a long time. It has been used to impregnate castings with a sealant in vacuum conditions.

Now, the Electronics Div. of Loctite Corp., Newington, Conn., has determined that using an ultraviolet light will dramatically speed the curing process for specialized coatings—from periods of several hours (or overnight) to as little as 6 seconds. The discovery has paved the way for applications in printed circuit board assembly. A proprietary chemistry cures the coatings in "shadow" areas not reached by the ultraviolet light. Shadowcure 361™ uses a hybrid material and provides a protective coating of from 1 mil to 3 mil thick; it is expected to replace such coatings as silicones and acrylics.



Shadowcure 361 provides fast-dry protective coatings for printed circuit boards.



COMPUTERIZING CARS

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MICROS GET GRAP
MOVING BEYOND THE
GLORIFIED TYPEWRITER

CAD MEETS CAM:
TOWARD THE
INTEGRATED FACTORY

ULTRAFAST CHIPS
AT THE GATE

Apple Fellow
Bill Atkinson

Manufacturers must face the music

Jacques Koppel
Director, Technology Management Center
Philadelphia, Pa.

Technologies such as robots, lasers, sensors, machine vision, and computer-aided design have been hailed as the principal means for helping American manufacturers become more competitive in world markets. But U.S. industry has actually done very little modernization; it is largely ignoring the advanced technologies that could improve productivity, quality, and market share. Despite the lip service, it remains mired in antiquated manufacturing techniques.

That is what the Philadelphia-based Technology Management Center concluded after an 18-month study of 90 small and medium-sized Pennsylvania companies—of which 42 were actually visited—in the machine tool, electronic component, and medical device industries. We found that for most manufacturers, the "factory of the future" is still an incomprehensible concept. In fact, only 10% of the firms had any plan for introducing computers or other forms of advanced technology into their companies. And unlike marketing or financial plans, which most firms generate annually, these "technology plans" were seldom formalized.

The problem is not one of availability. It's that the new manufacturing technologies intimidate and confuse most managers, who thus resist adopting them. Even when these technologies are acquired, management is usually ill prepared to implement them effectively.

Compounding the problem is the reality that these technologies are computer-based, and managers and engineers schooled in another era often find them baffling. They have difficulty identifying the type of system that could most benefit their operations. And even if a firm can match a particular technology with a particular application, they often cannot distinguish between the dozens of available products—both hardware and software—that would best suit their needs. As a result, many companies have to rely primarily on vendors for information. But while these sources usually have a good understanding of the particular product they are marketing, they do not necessarily know how best to integrate it into a company's manufacturing system.

Reality is sometimes hard to accept, so people spend more time diverting themselves with wishful thinking than taking effective action. In a number of cases we observed, management honestly believed that it was at the cutting edge, despite much evidence to the contrary. At the extreme, some firms regarded the use of a single computer—even a 64K micro purchased five years ago—as a quantum leap into the age of information technology. Others boasted of a customized piece of "automation" equipment they had thrown together out of spare parts. Some companies believed that manually counting the number of parts in their storeroom twice annually and entering these data into their computer constituted a computerized inventory control system.

When companies make investments in new tools—whether modest or relatively large-scale—without an overall strategy for their use, the well-documented result is "islands of automation." Sophisticated technologies acquired at random sit scattered on shop floors, contributing only a fraction of their potential worth toward manufacturing a better product. In one company we visited, a $90,000 robot sat idle for most of two years because the equipment it was supposed to load was 25 years old and kept breaking down.

Of the industries examined, the most serious deficiency in the use of technology was shown by the machine tool companies. This is especially ironic, since the machine tool industry actually makes much of the equipment that could render it more competitive. Despite the deep inroads made by foreign competitors into American manufacturers' markets, many of the companies visited did not appear to appreciate the vast changes taking place in their industry.

One machine tool company told of having a computer for three years, but getting rid of it because the managers didn't know what to do with it. Some companies indicated that they were still in a down cycle for the industry and, apparently oblivious to Japanese imports, expressed the view that things would return to normal as soon as the cycle turned upward. One of these companies observed that it had not made a major sale in two years to the automobile industry—historically its largest market—because of the "recession," even as GM, Ford, and Chrysler were announcing record profits.

These firms generally felt that foreign competition had managed to penetrate their markets more because of cheap labor, government subsidies, and the high value of the dollar than because of any failure on the part of U.S. industry to remain competitive. Such external factors are certainly not negligible, but placing the blame on them alone has become a convenient excuse for not modernizing faster.

Managers will have to fundamentally change their attitudes in order for U.S. industry to take advantage of new production technologies. Once and for all, they will simply have to face the music. The complacency often expressed by American manufacturers must give way to the recognition that change is inevitable. The need for new production technologies must be acknowledged, and plans to use them to their fullest potential must be developed and put into action. Where managers are not equal to the task, they should either bone up or get out of the way. ☐

Mr. **Smith**. It makes you wonder, really, about costs. I notice in solar cells, it is the same no matter whether it comes from another country or this country.

Mr. **Butenhoff**. The cost to the consumer is about the same. The cost to the retailer is perhaps somewhat lower in the case of direct imports.

Mr. **Finley**. The mark up is greater. The retailer gets the greater mark up. The consumer, there may be some in some cases, but the great bulk of it goes to the retailer.

Mr. **Smith**. And you mentioned quality. There was a time when there was a difference in quality, but in some cases you can't see the difference any more, can you?

Mr. **Butenhoff**. Some of the exporting companies have improved their quality to close to that of the U.S., but in surveys we have taken through the Craft With Pride Council, we found that 70 percent of the American consumers prefer apparel made in the U.S. because of the quality, the fit, and they feel it is a better item.

Mr. **Smith**. There is a difference in the fit of shirts, I know that.

Mr. **Butenhoff**. Yes.

Mr. **Smith**. I don't know why there is a difference, a different pattern.

Mr. **Finley**. Because they know the American body size. The design is less skimpy.

Mr. **Smith**. You would think if they produced for the American market, they would produce American sizes.

Mr. **Finley**. That is exactly right.

Mr. **Smith**. Thank you.

Mr. **Finley**. Thank you.

TESTIMONY OF THE HONORABLE HARRY REID BEFORE THE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, AND JUDICIARY ON THE NOAA FY87 BUDGET REQUEST.

APRIL 7/8, 1986

THE ROLE OF THE ATMOSPHERE IN TRANSPORTING WATER SUBSTANCE FROM THE OCEANS TO THE LAND, APPEARS CLEARLY TO BE A SUBJECT WHICH FITS THE NOAA MISSION.

MAN'S ABILITY TO UNDERSTAND THE ATMOSPHERIC PROCESSES INVOLVED, AND HOW WE MIGHT MODIFY OR EVEN CONTROL THESE PROCESSES, IS OF GREAT POTENTIAL BENEFITS TO OUR NATION. THE GROWING WATER NEEDS OF THE RAPIDLY DEVELOPING WESTERN STATES, THE DROUGHT PROBLEMS THAT SOMETIMES BESET THE HEARTLAND OF OUR COUNTRY AS WELL AS OTHER ARID REGIONS OF THE WORLD, THE EFFECT OF ATMOSPHERIC WATER AND ICE ON AIRCRAFT, ALL OF THESE TOPICS AND OTHERS LEAD ME TO BELIEVE THAT THIS PORTION OF THE HYDROLOGIC CYCLE IS HIGHLY DESERVING OF CONSIDERABLE STUDY.

NOAA HAS, IN THE PAST SEVERAL YEARS, ELIMINATED CLOUD PHYSICS AND CLOUD MODIFICATION RESEARCH FROM ITS PROGRAMS. WE KNOW THAT THE FEDERAL/STATE COOPERATIVE WEATHER MODIFICATION PROGRAM IS ONE OF THE LAST SURVIVING COMPONENT OF SUCH A RESEARCH EFFORT, AND THIS IS ONLY SO BECAUSE CONGRESS RESTORES IT EACH YEAR, ALLOWING HIGHLY COMPETENT WORK IN SEVERAL UNIVERSITIES AND PRIVATE COMPANIES IN THE WEST AND MIDWEST TO CONTINUE.

IN THE PAST THREE YEARS RESEARCH ON WEATHER MODIFICATION , AS PART OF THE FEDERAL/STATE COOPERATIVE PROGRAM BETWEEN NOAA AND FOUR STATES, HAS PRODUCED SEVERAL IMPORTANT AND FUNDAMENTAL FINDINGS.

IN NEVADA, SCIENTISTS HAVE DEVELOPED A NEW CHEMICAL TRACER TECHNIQUE

TO STUDY SEEDING MATERIAL DISPERSION IN COMPLEX MOUNTAINOUS TERRAIN. THEY HAVE ALSO DEVELOPED A NEW STABLE ISOTOPE-ICE CRYSTAL STRUCTURE TECHNIQUE FOR LOCATING THE SNOW GROWTH REGIONS IN WINTER CLOUDS, AND CONDUCT AIRBORNE STUDIES OF THE CAPTURE OF SEEDING AEROSOLS BY CLOUD WATER AND ICE. THESE FUNDAMENTAL INVESTIGATIONS HAVE GREATLY ENHANCED OUR ABILITY TO IDENTIFY MEANS OF AUGMENTING RAIN FALL IN THE MOUNTAINOUS WESTERN UNITED STATES.

IT IS MY IMPRESSION THAT NOAA WOULD RATHER SEE MORE RESEARCH DOLLARS SPENT BY OUTSIDE AGENCIES, UNIVERSITIES AND OTHER COST SHARING PROGRAMS, THAN INCREASE DOLLAR EXPENDITURES IN ITS OWN RESEARCH LABORATORIES.

THE FEDERAL/STATE PROGRAM IN WEATHER MODIFICATION RESEARCH IS A PROGRAM WHERE THIS IS ALREADY BEING DONE AND WHERE THE POTENTIAL FOR IMPROVEMENT EXISTS. I WOULD THEREFORE LIKE TO SEE THE PROGRAM CONTINUE RATHER THAN BE ZEROED OUT AS IS DONE IN THE FY87 BUDGET.

THE NOAA BUDGET FOR FY87 ELIMINATES ENTIRELY THE FUNDING FOR THE REGIONAL CLIMATE CENTER OPERATED BY THE DESERT RESEARCH AGENCY IN RENO, NEVADA. THE CLIMATE CENTER HAS HIRED HIGHLY QUALIFIED PROFESSIONALS, UPGRADED AND PURCHASED NEW COMPUTER EQUIPMENT AND BEGUN ATMOSPHERIC RESEARCH PERTINENT TO THE STATES OF NEW MEXICO, ARIZONA, CALIFORNIA, UTAH AND NEVADA. A STRATEGIC UNDERSTANDING OF WEATHER IS ESSENTIAL TO THE ARID WEST AND THIS PROGRAM ALONG WITH WEATHER MODIFICATION SHOULD CONTINUE TO BE FUNDED FOR JUST THAT REASON.

THERE ARE ADVANTAGES WHEN STATES AND FEDERAL AGENCIES DO THINGS TOGETHER. THE STATES ARE CLOSE TO THE REGIONAL PROBLEMS WHILE NOAA POSSESSES THE ABILITY TO DEAL WITH REGIONAL ISSUES THAT CROSS STATE OR INTERNATIONAL BOUNDARIES. I WOULD LIKE TO SEE THE CLIMATE CENTER AND WEATHER MODIFICATION PROGRAMS REINSTATED SO THESE ADVANTAGES CAN

BE REALIZED. SPECIFICALLY, I WOULD LIKE THE $2,150,000 FOR WEATHER MODIFICATION AND $760,000 (A 5% REDUCTION FROM THE FY 86 APPROPRIATION) FOR THE REGIONAL CLIMATE CENTER PROGRAMS LOCATED IN NEVEDA AND ILLINOIS RESTORED TO THE FY 87 NOAA BUDGET.

HARRY REID
MEMBER OF CONGRESS

HMR/gb
noaahrg

Testimony

House Appropriations Subcommittee
on Commerce, State Justice and the Judiciary

Submitted for the record by

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Illinois State Water Survey

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NOAA Federal/State Cooperative Weather Modification Research

We oppose NOAA's termination of funding in the FY87 budget and any reprogramming of FY86 funds beyond the 4.3% sequestration for the Federal/State Cooperative Weather Modification Research Program involving Utah, Nevada, Illinois, and North Dakota.

NOAA claims that the project results are inconclusive and the program is state-specific and should be totally state funded. We disagree for the following key reasons.

The four state projects that comprise the Federal/State Cooperative Weather Modification research program, and are funded by NOAA and the states, have over the past 3 years made very significant scientific and technological progress in defining basic physical and chemical linkages in the complex chain of weather modification. Examples of this recent progress are numerous.

Scientists at the Illinois Water Survey, working with university scientists at Purdue, Illinois, Chicago, and Wyoming, have finished 6 years of Pre-Experimental research studies (laboratory, computer and field) to conclude that a certain class of summer clouds in the midwest appears likely to respond favorably to a certain type of seeding. To this end a scientific hypothesis has been elucidated for field testing beginning in 1986. Since 1981 29 scientific-journal papers and 9 reports have been published reflecting the high quality of the science conducted.

Scientists working on the Utah project have used radars and other remote sensors to detect where super cooled liquid water is concentrated in winter clouds over mountains, and this allows better estimation of where and how much added snow will occur. Correlated airflow measurements have led to better determination of where and when seeding materials should be released into clouds. The scientists working on the project at 3 universities have published 12 scientific papers in the past 2 years.

In the 3 years of the Nevada program, new techniques have been developed using stable isotopes of water and ice crystal structures to locate regions of liquid water in clouds and how seeding affects them. Newly developed trace chemical techniques have identified how complex-mountainous terrain affects cloud formation and aerosol transport from the ground into winter storms and how these aerosols are transported into downwind areas across state boundaries. New airborne studies of water and ice in clouds augmented by remote sensing, provide new evidence of seedability potential for increasing water supplies in the arid west. Ten scientific publications have resulted from this work in the past two years.

North Dakota has investigated the transport and dispersion in cumulus clouds, which is not only important to the acid rain issue and other pollution problems of the atmosphere. The investigations have been made using the tracer gases being released at various locations in and around cumulus clouds. Monitoring the mixing within the cloud is carried out by a sophisticated cloud physics aircraft making measurements on liquid water and ice processes, which are key to summer precipitation. This research has involved staff from North Dakota State University, University of North Dakota, South Dakota School of Mines and Technology, University of Wisconsin and Oklahoma University.

The scientific and technological achievements of the four state projects are further described in NOAA (Winter 1986 issue), the agency's own periodical.

In 1985, this program funded approximately $1,000,000 for the development of special new field equipment (a mobile scanning microwave radiometer, instrumented research aircraft, a 10 cm computerized Doppler radar system, a realtime mobile forecast system, and a short wave-length 8.6 mm radar system) to be shared by all four projects so as to achieve high cost effectiveness. These unique tools are now built or under construction and will be ready for their first field usage planned for 1986-87.

For example, the $0.4 million computerized Doppler radar developed in Illinois is to be used with the Nevada research aircraft with its new atmospheric sensors in 1986-1987 to study how midwestern summer clouds react internally to seeding at the -10°C level. $500,000 has been spent in Nevada designing and constructing a new short wave length radar for the Utah project and a new scanning microwave radiometer for the Nevada program. These instruments will be used in the 1986-87 winter projects in these states to study seeding effects on precipitation growth and snowfall enhancement. North Dakota, working with University of Wisconsin (Madison) is developing a satellite data processing system for directing field operations and for subsequent evaluations of seeding effects.

The success of these major collaborative field efforts hinges on availability of FY 86 and 87 funds. Termination of the program will not only negate the value of these major equipment expenditures, but will have even more disastrous effects on the continuity of these long-range research efforts and the scientific staffs developed to tackle these complex atmospheric issues.

In Illinois failure to fund the FY86 research will lead to loss of many of the 11 project scientists gathered and trained as a team over the past 5 years. The Illinois-based project has achieved the first of its three major milestones in unraveling the complexities of summer rain enhancement. Failure to proceed will leave this agriculturally-important technology poorly defined.

The loss of funding for North Dakota will kill the proposed 3 year randomized field study of the effects of seeding on growing cumulus. A key experiment planned for FY86-87 involves trace gases released with seeding material to study the dispersion process inside Great Plains convective clouds to answer this key question about how seeding materials are distributed inside clouds and their potential for mitigating hail and enhancing rainfall.

Loss of FY87 funding for Utah will prematurely terminate analysis of data collected during the winter of 1986, and will stop critical transport and dispersion studies scheduled for the winter of 1986-87. Key scientists involved in the project since its conception in 1980 will no longer be available for this activity. This includes scientists at 4 universities and at NCAR.

In Nevada the major national issue being addressed is whether the many private and government weather modification projects are depleting water supplies in downwind regions. This problem is crucial to the Nevada economy where water is a prime national resource in short supply. It is because of this problem that Nevada contributes significant resources to this cooperative program and a strong cadre of atmospheric scientists to address these important issues. Loss of FY87 funding will cripple this scientific effort addressing a serious water supply issue in the arid West. Key scientist assembled for this program will be lost as will support for several graduate students.

Our final comments concern NOAA's position on the state versus federal roles in support of weather modification research. We believe the efforts of this program are in the national interest because they collectively represent a singular coherent program in the nation's weather modification effort. Notably, all past and present scientific assessments of this field called for a major federal role in support of weather modification research. The findings in Utah about how to enhance snowfall are applicable to other mountainous regions of the west; the studies of downwind effects of seeding in California on precipitaion in Nevada are fundamental and transferable to other western areas; the North Dakota studies of hail suppression and precipition enhancement are applicable to the Great Plains; and the Illinois oriented efforts to learn if summer rain can be increased are applicable to the Midwest, a condition reflected in the fact that scientists in Ohio, Michigan, and Indiana have helped Illinois plan and conduct the Illinois-based program. Thus, here are federal-state marriage is the correct approach.

In NOAA (Winter 1986 issue) we find key comments supporting our view; "the four federal-state programs are in four different climate regions, yet address problems of both regional and national interest----Importantly, it appears what is being learned in each state can be extrapolated well beyond the state boundaries". We agree and find if difficult to understand why NOAA's stated position and budget policy are directly opposed.

Thus, we ask that the proposed reprogramming be denied, and funds of $2,150,000 be made available in FY87 for this important research. Attached is a copy of the NOAA magazine (Winter 1986 issue) supporting the national applications of the program findings.

Thank you for your consideration.

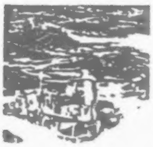
Volume 16

Number 1

Winter 1986

noaa

COVER. Winter comes to the coast—in this case, Pawtuxet Cove, Cranston, R.I.



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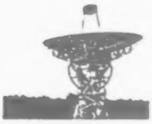

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U.S. DEPARTMENT OF COMMERCE
Malcolm Baldrige, Secretary

National Oceanic and Atmospheric Administration
Anthony J. Calio, Administrator

A. Joseph LaCovey
Director, Public Affairs

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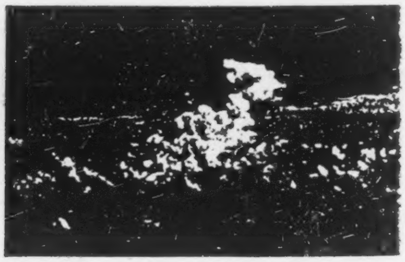
Rainmakers

Dr. Roger F. Reinking
Dr. William H. Hooke and
William J. Brennan *

Water, Water



Limits to global and national freshwater supplies are beginning to receive widespread government attention. The road sign in dry Nevada that pleads "Welcome to Golden Valley. Please Conserve Water," and the restaurant placard in Hawaii that gives notice that "Water will be served upon REQUEST. We're helping to conserve our island supply," reflect first signs of a major global resource problem. The next several decades will be punctuated by a series of water resource crises affecting localities, regions, and in some cases whole nations.

The United States is not immune. The Congressional Office of Technology Assessment (OTA) in a 1983 study of "Water-Related Technologies for Sustainable Agriculture in U.S. Arid and Semi-Arid Lands" noted that half of the western U.S. is experiencing water supply problems now, and reached some sobering conclusions. the demand for and expense of water, the depletion of ground water, salt and chemical buildup, water quality deterioration, and shifts to urban use all will accelerate to impose economic and social problems for the region and the nation in the late 1980's and the 1990's. Sustainability of western agriculture, which contributes 43 percent of U.S. farming income, "depends on the role the Federal government chooses or declines to play in the coming few years," according to the report.

To overcome growing shortages, which now are impacting the east as well as the west, only three courses of action are possible, the OTA believes.

- Use fresh water more efficiently.
- Better manage water, from stages of precipitation and runoff through collection, storage and distribution.
- Augment existing supplies.

Each alternative must be pushed, OTA concluded, but "the potential for a given technology to provide additional water or to conserve existing supplies is difficult to evaluate and will remain so unless the quantities of water involved in the hydrologic cycle can be defined more accurately."

Improvements through the first possible course of action lie with the user. Regarding the second, NOAA plays a vital supporting role in the national effort to manage precious water supplies. The River Forecast Centers of the National Weather Service combine quantitative precipitation forecasts and state-of-the-art hydrological models with snowpack and streamflow measurements to predict river runoff. These projections lead to public warnings, and provide essential support to operations of the Bureau of Reclamation and the Army Corps of Engineers, those federal agencies directly responsible for water resources management.

Another, separate NOAA program—the NOAA Federal-State Cooperative Program in Weather Modification Research—addresses the third course of action augmentation. Conducted by the Environmental Research Laboratories of NOAA's Office of Oceanic and Atmospheric Research, the program allocates a total of between two and three million dollars a year to Illinois, Nevada, North Dakota and Utah. The states, in turn, utilize the funds to evaluate and improve upon their respective on-going or planned operational programs in cloud seeding to enhance precipitation.

In spite of its small size, the program is changing the nature and scope of weather modification activities throughout the United States for two reasons. First, as its title declares, this is a cooperative federal-state program. Not just a state program. Not just a stand-alone federal program. A cooperative one.

The states are closest to the water resource problem, the difficulties experienced by farmers and ranchers as they draw down groundwater supplies, and face increasing energy and capital equipment costs. The states, too, are responding more directly to vocal and powerful constituencies calling for weather modification activities to support their economies and urbanization, and some have programs already in operation. The basis for the operational programs, as far as the users and supporters in the states are concerned, is that statistically it's a good gamble. A 60 to 70 percent chance of making it rain by seeding clouds is worth

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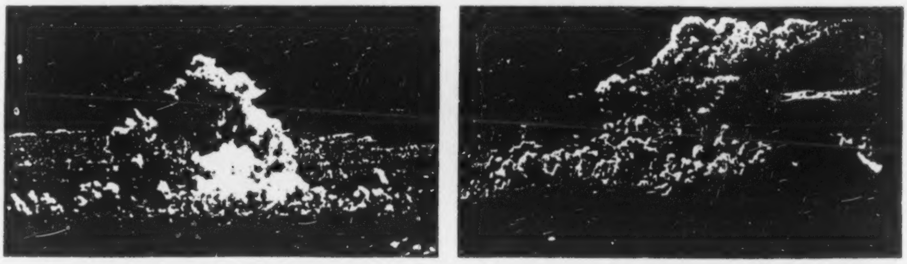
**Dr. Reinking is Acting Director of NOAA's Weather Modification Program, an element of the Environmental Sciences Group of which Dr. Hooke is Director. Mr. Brennan is Public Affairs Officer at the Environmental Research Laboratories.*

(But Not Everywhere)



In the 1960's attempts were made to wring moisture from the atmosphere by seeding clouds with particles of silver iodide. In this series, a cloud is seeded (first photo) and then photographed 9, 19, and 38 minutes later when the rainbearing cumulonimbus cloud is fully developed.

the uncertainties, given that the service costs only a few cents an acre. While the operators and users are satisfied with these odds, they would like to know if seeding actually is working, and if so, how to make it work better.

On the other side of the coin, most states find it difficult to mount and sustain programs of basic research needed to support and improve weather modification activities, and scientists are not satisfied with the present gambling odds. They want to know more accurately the physical and statistical realities of augmenting precipitation.

In contrast to the states, the federal government has substantial abilities to develop and run sustained programs of basic research in pursuit of acknowledged long-range objectives. And, importantly, it is in NOAA's own best interests to define the realities of cloud seeding and, in so-doing, to learn more about the water budget of clouds and their precipitation efficiency. An effort of this sort, addressing the atmospheric portion of the hydrologic cycle, not only could permit more productive cloud seeding—the goal of the weather modification operators and users—but also better water management through more accurate quantitative precipitation forecasting, improved runoff prediction, better river flow forecasting, and improvements in other predictive areas in which NOAA elements have responsibilities. The mission of the NOAA Federal-State Cooperative Program in Weather Modification Research is "to support, conduct, and coordinate basic and applied research to understand cloud and precipitation processes and their role in the hydrologic cycle, under natural influences and with inadvertant and purposeful modifications."

The second reason for the program's effectiveness stems from NOAA's research capabilities in instrumentation—particularly remote sensors—and in basic research. The Wave Propagation Laboratory's radiometer for sensing liquid water has revolutionized the nature and impact of cloud studies nationwide. The K-band radar with polarization diversity permits study of liquid water droplets and ice crystals in clouds with remarkable diagnostic power. ERL scientists command a broad knowledge of the fundamentals of cloud microphysics and chemistry essential for success in weather modification, and they are more conscious than others that every effort must have a very solid scientific base; a rigid examination of the chain of physical events involving models, experimental design, confirmation, peer review, all the things signifying good science. Through research funding and collaboration, NOAA strongly influences the federal-state program.

The NOAA-North Dakota program provides a powerful illustration of the resulting synergism. The popular image of North Dakota is one gigantic, lush wheat field. The reality is quite different; the western half of the state is extremely dry, and studies suggest a 10 percent increase in growing-season rainfall there would mean a 20 percent increase in crop yield— not just wheat, but barley, oats, flax, corn, sunflow, hay, soybeans, sugar beets and potatoes. That amounts to a $180 million increase in annual production.

North Dakota is trying to realize rainfall increases through an operational cloud seeding program based on the accepted theory that if a seeding agent is delivered to the base of a young, growing cumulus cloud, updrafts will carry the agent throughout the cloud. Inside the cloud the agent will turn tiny cloud droplets to ice crystals, generating snow which will eventually fall out of the cloud as rain.

That's the theory, but until last year no one really knew if even the first step—the uptake into the cloud—actually happened. NOAA managers of the federal-state program suggested a simple research experiment: release a tracer along with the seeding agent, and determine its dissipation through the cloud using new, fast-response monitoring instruments.

The experiment was done, with sobering results. The clouds did indeed entrain the seeding agent. But the agent did not fill the cloud. Instead, it could be detected only as small vertical ribbons within the cloud mass, suggesting that an approach other than seeding at cloud base may be needed to deliver and spread seeding material through the whole volume of a cloud.

Nevertheless, the technique of using a tracer is offering tremendous diagnostic capability, and investigators nationwide—within and outside of NOAA—are rushing to adopt the technology in support of their cloud microphysics studies and, where appropriate, weather modification investigations. Not so incidentally, the technique applies equally well to determining how air pollutants are transported by convective clouds.

A variety of mobile, remote sensing instruments have been used in Utah's weather modification program. Top photo is of cloud particle measuring devices under the wing tip of a University of North Dakota aircraft.

Utah presents a different opportunity for NOAA to obtain new knowledge and provide supportive expertise. There, state officials are conducting an integrated study of the interaction between microphysics and mesoscale air motions in producing mountain snowfall. This includes a pioneering effort to determine if there is supercooled liquid water in "orographic" cloud, how much, over what space, and for how long a period. We need to know this before seeding, to give the operation a chance for success. And, we need the same information in research being done to monitor and predict the aircraft icing hazard.

With the guidance of NOAA scientists, Utah operators have used a suite of remote sensing instruments—radiometers, radar, lidar, and the like—to obtain a unique set of data on the water content and life cycles of winter storms.

The way in which these instruments have been used in the Utah program has demonstrated broader atmospheric research application potential for them than previously had been recognized, and the potentials for measuring cloud water budgets with these devices is enormous.

One does not have to look far to discover that each of the alternative water strategies delineated by the OTA has its limits, as the California State Department of Water Resources has learned. That state already is running out of alternatives. new construction of dams and aquaducts has been vetoed, desalinization of seawater is too energy intensive and far too underscaled to handle agriculture and urban water needs, and one of the few remaining alternatives is cloud seeding. The state presently is in the process of awarding contracts for studies of the possibilities of cloud seeding in the watersheds of the Sierra Nevada, adjacent to mountain areas where public utilities have operated such programs for decades.

In Nevada, some water users fear that such cloud seeding on the California side of the Sierra Nevada range may reduce the annual snowfall in that part of Nevada along the eastern slopes of the mountains. With NOAA help, the state is developing several new technologies for mapping air flow and chemical and microphysical snow-forming processes in clouds over mountainous terrain. In addition to confirming or allaying fears about the California seeding impact, and consequent potentials in Nevada, the new technologies are expected to have application to NOAA studies on atmospheric transport of acid rain precursors and other contaminants in wet weather over complex topography.

Illinois, unlike the other states in the cooperative program, cannot be considered a dry state. On the average, 45 inches of precipitation fall each year. Too, Illinois is in the heart of America's most productive agricultural area. Yet, on average, every 2 years the state gets only 50 to 60 percent of normal precipitation, and droughts with only 30 to 40 percent of normal rainfall occur with a ten-year frequency. If weather modification can offer a way to keep production up in the drier years, area farmers want to know.

The NOAA-Illinois program uses NOAA resources to help fund the Precipitation Augmentation for Crops Experiment, an ambitious study including not only the establishment of a sound scientific basis for cloud seeding, but a careful look at the agricultural, economic and social impacts of variations in rainfall for the state. To date Illinois has not done any seeding, directing its efforts to intense studies of experiment design, evolution of radar echoes from midwest convective clouds, and impacts of changes in rainfall on soils and crops in a systems context with heat stress, erosion and new agricultural practices.

In summation, the four federal-state programs are in four different climatic regions, yet address problems of both regional and national interest. Two are summer studies of convective rainfall, and two are winter programs concerned with snowfall. Importantly, it appears that what is being learned in each state can be extrapolated well beyond the state boundaries. These investigations are unique nationally and are expected to provide an important information base for widespread future weather modification policy formulation.

With water supplies dwindling, it's little wonder that weather modification—in particular the augmentation of precipitation by cloud seeding—is attracting considerable interest. Farming states look to convective cloud modification during the growing season as an alternative to irrigation and drawing water from aquifers. The mountain states look to snowpack enhancement as a means of increasing watershed supplies as well as spring and summer runoff. Whatever the reason, political and economic pressures from farmers, ranchers, and in some states ski resort operators, have led to operational weather modification programs in a number of states in this country, as well as in some 30 or 40 other nations.

Latest figures from the World Meteorological Organization indicate that (in 1981) some 2.4 million square kilometers of the world land area were within cloud seeding target areas. This includes 2.3 percent (221,000 square kilometers) of the total area, or 16 percent of the harvested area, of the United States, where some 45 or 50 operational cloud seeding programs are regularly being carried out. Russia has about a dozen such projects, Mexico has nine, and the trend everywhere is upward.

The future undoubtedly will be punctuated by a series of water crises, both at home and abroad. As these occur, NOAA responsibilities for water resource management and supporting research can only grow in scope and importance.

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